

Reference: 163526

February 10, 2012

Bryan Cox Brewers Distributor Limited 1106-750 West Pender Street Vancouver BC V6C 2T8

Dear Mr. Cox:

Thank you for submitting the 2010 Brewers Distributor Limited (BDL) annual report and independently audited statement of deposits charged and refunds paid under the BDL stewardship plan, received June 30, 2011. Thank you also for submitting the results of third party testing of your annual report.

This will acknowledge and confirm that your report satisfies the reporting requirements under Section 8 of the Recycling Regulation with the exception of Section 8 (1) (b) that requires you to post the Annual Report to the internet. Please post the annual report to your website at your earliest convenience.

I want to advise you that the reporting requirements under the Regulation have been amended to require that annual reports submitted from 2013 onwards include the total amount of the producer's product collected in each Regional District.

I look forward to receiving future annual reports detailing the program performance achieved as committed in your product stewardship plan. Should you have any questions, please contact Greg Tyson by phone at 250-387-9774 or by email at greg.tyson@gov.bc.ca.

Sincerely,

Kris Ord Acting Director

pc: Greg Tyson, Environmental Standards Branch

File: 50400-25/BEV BDL

Ministry of Environment

Office of the Director Environmental Standards Branch Environmental Protection Division Mailing Address: PO Box 9341 Str. Prov Govt Victoria BC V8W 9M1 Telephone: 250 387-9933 Pacsimile: 250 356-7197 Website: www.gov.bc.ca/env

#### MINISTRY OF ENVIRONMENT MEETING INFORMATION NOTE

February 14, 2012 File: 50400-25 BEV BDL CLIFF tracking #: 163641

PREPARED FOR: Minister's Office

DATE AND TIME OF MEETING: February 16, 2012, 4.30 pm

ATTENDEES: Brian Zeiler-Kligman, Director of Sustainability for Canada's National Brewers and Kiel Giddens, Ministerial Assistant.

ISSUE: Three Recycling Regulation issues are anticipated to be raised:

1. Beverage Container Product Category consultation.

- Packaging and Printed Paper product stewardship program that is currently under development.
- 3. Government perspective on the stewardship program for beer containers.

#### Background:

Meeting participants

- Brian Zeiler-Kligman will speak on behalf of two organizations:
  - Canada's National Brewers, which is an advocacy group representing Labatt Breweries, Molson Breweries and Sleeman Breweries, Canada's three largest brewers; and
  - Brewers' Distributor Ltd. (BDL), a joint company owned by Labatt and Molson to distribute full goods and collect empty refillable and recyclable beer containers.
  - BDL is the stewardship agency under the Recycling Regulation to represent producers that sell beer in cans and refillable bottles (Encorp Pacific is the stewardship agency representing all other beverage producers).

Ministry of Environment initiatives of interest to Canada's National Brewers

- The Ministry of Environment is currently consulting on aspects of the beverage container schedule of the Recycling Regulation. The objective of the consultation process is to identify options to increase recovery rates for beverage containers in all regions of the province and improve environmental management of collected containers with the least incremental financial impact to consumers and producers.
- Stakeholder input has been compiled since October 2011 and the process will be complete in April/May 2012.
- In May of 2011 the Recycling Regulation was amended to include a new schedule for packaging and printed paper (PPP). By May of 2014 this amendment requires producers of PPP to assume responsibility for collection from residential premises and municipal public spaces, such as streetscapes, for management/recycling.
- It is the Ministry's understanding that most producers intend to appoint Multi-Materials BC as their agent to develop a stewardship program for PPP

Discussion: Three issues are anticipated to be raised:

#### 1. Beverage Container Product Category consultation.

- The consultation process is focussed on (1) deposit-refund levels (2) retail collection requirements, and (3) requirements for refill and recycling.
- Because of the complexity of the system and potential stakeholder impact, the current review is a preliminary step to scope issues to determine if there grounds for a more in depth analysis of potential changes.
- As a next step the Ministry of Environment will publish an Intentions Paper on proposed changes to the beverage schedule of the Recycling Regulation, if any are deemed necessary.

#### Packaging and Printed Paper product stewardship program that is currently under development.

- As with all product stewardship programs, producers of PPP are required to develop and consult on a stewardship plan for Director approval by November 19, 2012.
- Producers of PPP can develop their own stewardship plan or appoint an agency to carry out duties on their behalf.
- Canada's National Brewers has indicated that beer producers are interested in
  exploring opportunities to develop a stewardship plan for beer packaging as an
  alternative to the broader industry program led by Multi-Materials BC.

## 3. Government perspective on the stewardship program for beer containers.

- Brewers' Distributor Ltd. has operated a successful d product stewardship program for beer containers since 1998.
- The BDL return collection system has consistently achieved very high collection rates for both refilling and recycling.
- Stakeholders have expressed concerns about the practice of some bottle depots to
  offer a reduced refund to consumers for beer containers. Bottle depot operators
  indicate that this practice is necessary because BDL is unwilling to negotiate licence
  agreements with a similar network of depots as the Encorp stewardship program.
- The estimated value of unpaid "discounted" consumer refunds is approximately \$2
  million per year (of a total of \$60 million in deposits paid by consumers for beer).

#### SUGGESTED RESPONSE:

#### L Beverage Container Product Category consultation.

 The Ministry of Environment has a consultation process in place for stakeholder input. Canada's National Brewers are encouraged to direct comments to that process.

## Packaging and Printed Paper stewardship program.

Ministry staff will continue to provide the necessary support should the beer brewing
industry chose to develop their own product stewardship program for PPP. However,
BDL will need to ensure a seamless consumer experience in terms of collection
systems.

2 of 3

3. Government perspective on the stewardship program for beer containers.

 Government recognises BDL's very high collection performance for empty beer containers and also the ongoing support of the brewing industry for environmentally friendly refillable bottles.

 The issue of discounted refunds at some bottle depots is of some concern and government looks forward to proposals from BDL to ensure consumers can obtain their full container refunds for beer containers.

Attachments: None.

 Contact:
 Alternate Contact:
 Prepared by:

 Jim Standen
 David Lawes
 Greg Tyson

 EPD
 EPD/HQ/ESB
 ESB/HQ

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Reviewed by	Initials	Date
DM		
DMO		
ADM		
Dir./Mgr.		
Author	GT	13/02/12



Date: February 21, 2012

To: CM Consulting - Clarissa Morawski

From: Bill Chan

Re: BC MULTI-STAKEHOLDER REVIEW IN THE BEVERAGEE CONTAINER

REGULATION

# of pages: (including this page)

Thank you for the Interim Report dated January 2012 on the Multi-Stakeholder Review of Prescriptive Measures in the Beverage Container Regulation.

We would like to provide additional information with respect to a comment from a stakeholder (Table 5: Other Comments, page 29 of the report):

Monica Kosmak, City of Vancouver	Municipality	<ul> <li>Enforcing the targets for all beverage container sub-categories: Currently the Recycling Regulation requires that the 75% recovery target be applied to each sub-category of beverage containers listed in Schedule 1. This should be enforced.</li> <li>The regulation should be further amended to include penalties for not achieving these targets. This would create a level playing field for all container types. We strongly recommend that the regulation be amended to include a schedule to phase in increased targets over time. Based on the Brewers' performance, a realistic timeline would be:         <ul> <li>80% within 5 years of achieving 75%</li> <li>90% within 10 years of achieving 75%</li> <li>95% within 20 years of achieving 75%</li> </ul> </li> <li>This would significantly strengthen BC's results-based approach.</li> </ul>
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Encorp is also the steward for non-refillable beer and cider bottles as well as wine and spirit bottles that are sold in the province of BC. Encorp's recovery rate for its alcohol containers for 2011 and 2010 is 94.9% and 94.5% respectively. These recovery rates are equal to or greater than those achieved by the Brewer's which is 94.0% (based on the Brewer's annual report as of December 31, 2010).

The success in reaching high recovery rates is attributable to that fact that the consumption of alcohol (inc. beer) is largely limited to a controlled environment (i.e. cannot be consumed in a public space). Our overall recovery rate of 80% takes into account a wide range of non-alcohol containers where away from home consumption is common. Therefore comparisons between the two (2) programs should be based on similar types of beverages.

If you require additional information, please feel free to contact me Regards
Bill Chan

memocmconsulting0212b.docx

## [2012-02-20] FW: beverage container enquiry - comments

Subject	[2012-02-20] FW: beverage container enquiry - comments
From	Tyson, Greg ENV:EX
То	'Clarissa Morawski'
Sent	Monday, February 20, 2012 9:48 AM

#### Hi Clarissa

Another submission for the beverage project, this time form a depot operator.

It is looking like Encorp is reluctant to share the IPSOS Reid study re: deposit value and return behaviour. Will try to work with them to see what I can do.

#### Thanks

#### Greg

Greg Tyson

**BCMinistry of Environment** PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

Join our Extended Producer Responsibility e-link mailing list www.env.gov.bc.ca/epd/recycling/epr/index.htm

From: Tyson, Greg ENV:EX

Sent: Monday, February 20, 2012 9:46 AM s.22

To:

Cc:

Subject: RE: beverage container enquiry - comments

H s.22

Thanks for your submission. I will ensure the input is included within the consultation process.

#### Kind regards

#### Greg

**Greg Tyson** 

BCMinistry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

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From:

s.22

Sent: Saturday, February 18, 2012 3:11 PM

To: Tvson, Greg ENV:EX
Cc: s.22

Subject: RE: beverage container enquiry - comments

Hello Greg,

Your email below was forwaded to me by s.22

s.22 Return-It Center, located in Richmond. I would greatly appreciate if you would consider also adding following comments to the report.

#### Regarding Deposit Levels:

- Current deposit level of 5 cent is too low to be an incentive to encourage customers to recycle
  containers. Deposit values should be raised in line with those in Alberta. 10 cents for up to a liter
  and 25 cents for over a liter.
- 2. Regarding alcoholic containers, these should also have the same deposit as non alcoholic containers. There should be an effort made to unify alcoholic and non-alcoholic beverage container recycling systems. These will drastically increasing the locations that pay full deposit value. The current system only has a few licensed depots that are given handling fees. The other depots who accept these containers are forced to either discount the deposit value or subsidize the labor, because they are given very little handling fee. For example, all depots return full 5 cents deposit value for pop can to customers and receive 3 cents handling fee from Encorp. Whereas return of deposit value of 10 cents for beer can is only mandated for BDL licensed depots, which are very few. The rest of the non-licensed depots refund 6 cents to 10 cents deposit value to customers. Handling fee received by non-licensed depots from licensed depots are zero to half a cent per beer can. This does not even cover the cost of all the handling expenses.
- Deposit should also be added to milk containers. This is the only way to boost the recovery rates.This deposit values should be set at the same level as the non -alcoholic containers.

#### Regarding Return to retail:

- I believe that in metropolitan areas where there are more than adequate depots the grocery and liquor stores should not be allowed to accept returns. Limiting the maximum number of containers or allowing individual stores to decide whether to accept returns or not will not work. This is because the stores compete with each other and will continue to accept containers to avoid loosing customers.
- A bigger issue regarding grocery stores accepting or forced to accept a certain number of
  containers is that this creates health issues. This issues as we experience on a daily basis can be
  returned containers contaminated by rotten food items, mildew, dirty and sticky containers (some
  also containing human body waste). This leads to fresh food items being in close proximity to soiled
  returned items, creating a potential health hazard.

Sorry for the lengthy response and thanks for your invitation for comments.

From: Tyson, Greg ENV:EX [mailto:Greg.Tyson@gov.bc.ca]

Sent: February 10, 2012 3:18 PM

**(o)** s.22

Subject: beverage container enquiry

Hello

I understand that you are looking for information on the Ministry of Environment review of the beverage container deposit refund system. We have an interim consultation report online for review and comment.

http://www.env.gov.bc.ca/epd/recycling/resources/reports/rcbc.htm

Please call if you have any questions I can address.

Kind regards

Greg

Greg Tyson BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

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#### [2012-02-28] FW: Beverage Container Consultation

Subject	[2012-02-28] FW: Beverage Container Consultation
From	Tyson, Greg ENV:EX
То	'Clarissa Morawski'
Sent	Tuesday, February 28, 2012 9:41 AM
Attachments	
	Recycling Council of

Hi Clarissa

One more submission. Thanks

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Greg Tyson BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

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----Original Message-----

From: EQB ENV:EX

Sent: Tuesday, February 28, 2012 9:24 AM

To: Tyson, Greg ENV:EX

Subject: FW: Beverage Container Consultation

Annuddd another to be responded to when you can, copying me on the response.

Thanks, Chelsea for Janet Hughes Phone: 250-387-9933

"I thought of that while riding my bike." - Albert Einstein

----Original Message-----

om s.2

Sent: Monday, February 27, 2012 5:04 PM

To: EQB ENV:EX

Cc s.22

Subject: Beverage Container Consultation

Recycling Council of British Columbia

Cowichan Valley Bottle Depot 6476 Norcross rd Duncan,BC V9L 5T3 (250) 748-2066 February 27, 2012

**BEVERAGE CONTAINER CONSULTATION** 

My name s.2

I would like to express my view that I am in favor of the provision to raise the minimum deposit levels to a ten cent level for all containers one litre and smaller. I would also like the refund for containers over one litre to remain at the twenty cent mark.

Reasons for this would include the fact that Alberta has had an increase in deposit levels as well as a well-placed marketing and awareness campaign, which has since seen a good increase in return levels, Page 9

higher then B.C. It can be hard to argue which has contributed more to the higher return rate. One thing is for sure, the two together have hit a chord in Alberta, and more people are bringing back their empties. I feel the same can happen in B.C. Increase the deposit rates from five cents to ten. Yes it will be a cost for the consuming public, but after the initial impact I believe that Encorp will be able to put together a good add and awareness campaign to help educate the public as to what is refundable and where to bring it. Many of the products that are experiencing a low return, the drink box and gable top type containers, must have a greater deposit to catch the attention of the public.

Some argue that the increased cost will remove money from the consumer's pockets. This is true, but if they return the products for refund they will get it back and then spend it. Some say it will drive cross border shopping. I don't really see that happening, especially if the deposit is high enough, people might just think twice about beverage purchases and the people who cross border shop will be doing it regardless. They shop across the border because there are so many more products cheaper than Canadian prices. People shop in the United States when the Canadian dollar is strong, not because a pop can has an extra five cents redeemable deposit.

Some say the cost of multi pack products will go up too high for low income families. I say it will just create more awareness to those products, such as small drink boxes, and these families will be more certain that their children bring back these products to receive their deposit. Some say that the increase deposit will just help the street community. Well maybe it will help them but maybe less people will be leaving their empties lying around. The value of five cents these days is fairly small and with inflation that five cents is even smaller. Double the deposit and now it might just be worth something. It is truly amazing for me to watch how picky people are towards five or even two cents a unit as the depots I operate discount the beer. I see it quite often people picking out five beer cans just to go across the road for their ten cents more at the liquor store.

Increasing deposit levels will improve bottle drive success and charitable groups using refunds as fundraising. I really like the comment on how consumers are too rich, and ten cents is not enough incentive, I see every day hundreds of people return their empties and I don't think these are too rich, generally the average person really appreciates their refund. Any cash is good cash to them.

I believe that increasing the deposit will help the recovery rate.

Any increase in recovery is a good increase. As a depot operator I am prepared to take risk of having to have more cash in my building to provide the service of refunding used beverage containers. I will need to increase my security systems, tighten up my staff, and my profit margins will not look as good, but if this is about increasing the return rate I am in favor of any increase in deposit levels. You cannot rely on advertising and awareness alone, the public will only really respond to what hits their pocket book and what is convenient. Why do people use depots? Because, they get money back. The more money it costs them, the more people will refund their product. It is clear to me that the reason the brewers have such high return is because of convenience, fewer products, high deposit and the fact that beer deposits have been around for such an extended period of time.

That is my view. And there is only one way to find out. Increase deposit, increase awareness = increase returns.

Return to Retail.

I believe that the return to retail is as important to the recovery rate as increasing the deposit levels. I can really appreciate the convenience aspect to retailers accepting used beverage containers. However, it would be ok to make it a voluntary program. Many small retailers do not have the space to accept these sorts of containers and if they are in close proximity to redemption centers then I don't see why they should have to accept them. The Brewers Distributors have a very high recovery rate, but as it seems to me over seventy percent of their total returns are through depots, not retailers. Many depots do not pay full price on Brewers product, yet still generate a large number of the total return of their products. Why is this? Convenience. And the convenience of retailers accepting empties is important. When depots are closed where do you go? The retailer. But retailers cannot accept all products so they are catering to only a specific consumer, one who is not returning wine, liquor or beer products. If the discussion is about recovery rates and retailers are aiding in some way, no matter how small a percentage, then I say keep the provision in place. Make it voluntary, except in metro Vancouver where density is high and convenience is at a premium. Any way to increase recovery rates is positive, losing the returns from retailers will simply allow more people to discard their empties in their recycle bins and not return them for refund, just because it is not convenient.

Containers must be recyclable or refillable.

If a container cannot be refilled or recycled, then why is it on the shelf? Get rid of those drink pouches. Waste to energy is not the answer. I am in favor of eco-friendly packaging and recyclable containers. The program that the brewers has is really positive. However as a depot operator I would like to see greater compensation for the handling of their products. If they paid out to depots just 1.5 cent more per unit then more depots would pay full price, which would increase convenience to consumers who are frustrated and feel ripped off.

In addition I would like to comment on the recycling surcharge or container recycling fee which is placed on receipts. This is a visible cost to consumers who look at it and get frustrated that they are taxed and then pay to the government an environment levy on top of that tax. I have to explain it to customers time and time again of how it works, that the fee is not going to the government, it is there to help fund the return-it program.

Either way consumers do not like to see it. It should be included in the price and not seen as Page. 10
Furthermore some retailers have the recycling fee written out on their receipt as a separate Meps 32,14-00071, Part 1

which adds even more confusion to the situation. It is my strong view that the CRF must be placed in the sale price and hidden in the cost. Just go to a few random retailers buy a pop bottle and see, it just doesn't look right. Canadian tire in Duncan has the CRF as a deposit; I can easily understand the public confusion.

s.22

Cowichan Valley Bottle Depot 6476 Norcross rd Duncan, BC V9L 5T3 (250) 748-2066 Recycling Council of British Columbia

Cowichan Valley Bottle Depot 6476 Norcross rd Duncan,BC V9L 5T3 (250) 748-2066

February 27, 2012

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#### Containers must be recyclable or refillable.

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In addition I would like to comment on the recycling surcharge or container recycling fee which is placed on receipts. This is a visible cost to consumers who look at it and get frustrated that they are taxed and then pay to the government an environment levy on top of that tax. I have to explain it to customers time and time again of how it works, that the fee is not going to the government, it is there to help fund the return-it program. Either way consumers do not like to see it. It should be included in the price and not seen as a tax. Furthermore some retailers have the recycling fee written out on their receipt as a separate deposit, which adds even more confusion to the situation. It is my strong view that the CRF must be placed in the sale price and hidden in the cost. Just go to a few random retailers buy a pop bottle and see, it just doesn't look right. Canadian tire in Duncan has the CRF as a deposit; I can easily understand the public confusion.

s.22

Cowichan Valley Bottle Depot 6476 Norcross rd Duncan,BC V9L 5T3 (250) 748-2066

## [2012-02-28] FW: BEVERAGE CONTAINER CONSULTATION COMMENTS

Subject	[2012-02-28] FW: BEVERAGE CONTAINER CONSULTATION COMMENTS
From	Tyson, Greg ENV:EX
То	'Clarissa Morawski'
Sent	Tues day, February 28, 2012 8:58 AM

#### Hi Clarissa

One final comment on the beverage consultation. Thanks

#### Greg

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Greg Tyson

BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tys on@gov.bc.ca www.recycling.gov.bc.ca

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**From:** s.22 [mailto: s.22 **Sent:** Monday, February 27, 2012 9:11 PM

**To:** Tyson, Greg ENV:EX

**Cc:** s.22 s.22 s.22

Subject: BEVERAGE CONTAINER CONSULTATION COMMENTS

Hi Greg.

s.22 of Richmond Bottle Depot Ltd. We have been in business for past 13 years. I would be grateful if you would consider my concerns in your beverage container consultation process.

#### DEPOSIT LEVELS

We have noticed, over the years, the drop in incentive for many consumers as well as collectors of used beverage containers. The current deposit levels are too low since they have been the same for more than past 13 years. If they are not raised now, it will be worth even less over the next ten or more years that the rates will remain in effect before the next round of review.

I am in favour of raising the deposit levels to 10 & 25 cents as is the case in Alberta.

#### ALCOHOLIC CONTAINERS

We have been offering our customers full refund of deposits on all containers brought to us. However, we loose money by taking the beer containers under the BDL Stewardship as we are not licensed by BDL. This is an unfair system where only a few depots are given the BDL license. In these tough economic climate over the past few years, it is becoming challenging to make profits and we would be forced to cut back on employees. We also think it is not fair for consumers to get only partial refunds as is the case in majority of depots.

#### DAIRY CONTAINERS

We don't see why milk has been exempted from the deposit system. A lot of it is ending up in the garbage. It is also confusing the consumers. We would like to see the same deposits levels on

milk as on other beverage containers.

#### RETURN TO RETAIL

The used, and sometimes dirty, beverage containers should not be returned to food stores. They pose health hazard. Most of the retailers we have dealt with, and their employees, also do not like to accept the empties. They are dirty, distracting from their regular business, cost in time and space and storage. We would like to see all containers returned to Depots as in Alberta.

Greg, we appreciate the Ministry for providing the process of consultation and accepting input from all parties and considering objectively and reasonably all arguments.

Please call me if you require any further information.

Sincerely,

s.22

s.22

#### [2012-02-28] RE: Re: Re: Beverage deposit consultation: questions

Subject	[2012-02-28] RE: Re: Re: Beverage deposit consultation: questions
From	Tyson, Greg ENV:EX
То	' s.22
Sent	Tues day, February 28, 2012 8:55 AM

Hi s.22

The relevant legislation is the BC Recycling Regulation. There is an online version for review www.bclaws.ca/EPLibraries/bclaws new/document/ID/freeside/449 2004

Section 8(2)(f) requires that the producers produce an independently audited report on the deposits charged and refunds paid.

We post the reports on out internet webpage for public review. The link is here: www.env.gov.bc.ca/epd/recycling/bev/reports/index.htm

Hope that helps.

Kind regards

Greg

**Greg Tyson** 

BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

Join our Extended Producer Responsibility e-link mailing list www.env.gov.bc.ca/epd/recycling/epr/index.htm

From: [mailto: s.22 s.22 Sent: Monday, February 27, 2012 5:57 PM

**To:** Tyson, Greg ENV:EX

**Subject:** Re: Re: Beverage deposit consultation: questions

Hi Greg,

re: unredeemed deposits

How are the unredeemed deposits accounted for by the beverage producers as a source of revenue to finance the collection and recycling of the containers that are returned? Is there documentation provided by the beverage producers that shows the unredeemed deposits have been used for their purpose? Are the beverage producers audited about their recycling costs and revenues?

Sincerely,

De: "Tyson, Greg ENV:EX" < Greg. Tyson@gov.bc.ca>

À:' s.22 < s.22 Envoyé le: Mardi 21 février 2012 9h14

Objet: RE: Re: Beverage deposit consultation: questions

Hi <sub>s.22</sub>

Thanks for your e-mail. "Discounting" is when a bottle depot does not pay a full refund to consumers equal to the deposit paid for a redeemed container. This happens most often for beer bottles and cans because the beer industry has chosen to collect its bottles and cans back mostly through retail return at shops selling beer. Because of this, many bottle depots do not have a contract relationship with beer producers and receive no payment for the service of collection the beer containers. To earn a profit they reduce the payment of the refund to the consumer. The bottle depot operator then delivers the beer containers to the beer producers to receive the full refund.

To obtain a full refund for beer, consumers can see all full refund return locations on a website operated by the brewing industry. http://www.beerbottlerefund.com/

For unredeemed deposits, it is the producer of the beverage that is able to keep the money as a source of revenue to finance the collection and recycling of the containers that are returned.

Thanks

#### Greg

-----

Greg Tyson

BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

Join our Extended Producer Responsibility e-link mailing list www.env.gov.bc.ca/epd/recycling/epr/index.htm

**From:** s.22 [mailto: s.22 **Sent:** Monday, February 20, 2012 10:34 PM

To: Tyson, Greg ENV:EX

Subject: Re: Beverage deposit consultation: questions

Hi Greg,

May I ask you a couple of questions?

I hadn't heard before of 'discounting of deposits'. What is that and how does it work?

What happens to the deposits for the bottles and cans (25% of all of them according to this document) that are not returned? Do the stores get to keep the money all free and clear?

Thanks again for the link,

s.22

De: "Tyson, Greg ENV:EX" < Greg. Tyson@gov.bc.ca>

À: " s.22 < s Envoyé le : Jeudi 16 février 2012 14h23 Objet : Beverage deposit consultation

Hello s.22

As discussed, below is the link for information on the consultation on the deposit-Perferil system.

## http://www.env.gov.bc.ca/epd/recycling/resources/reports/rcbc.htm

Kind regards,

-----

Greg Tyson
BC Ministry of Environment
PO Box 9341 Stn Prov Govt
Victoria, BC V8W 9M 1
250 387 9774
Greg.Tyson@gov.bc.ca
www.recycling.gov.bc.ca

Join our Extended Producer Responsibility e-link mailing list <a href="https://www.env.gov.bc.ca/epd/recycling/epr/index.htm">www.env.gov.bc.ca/epd/recycling/epr/index.htm</a>

## [2012-02-28] RCBC Member Advisory: Consult. on BevContProdCat in RReg

Subject	[2012-02-28] RCBC Member Advisory: Consult. on BevContProdCat in RReg
From	Dunn, Paula ENV:EX
То	Dunn, Paula ENV:EX
Sent	Monday, December 23, 2013 9:28 AM

From: Tyson, Greg ENV:EX

Sent: Tuesday, February 28, 2012 4:19 PM

To: 'Clarissa Morawski'

Subject: FW: RCBC Member Advisory: Consultation on the Beverage Container Product Category in the

Recycling Regulation

#### A couple of last minute submissions

#### Cheers

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#### **Greg Tyson**

BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tys on@gov.bc.ca www.recycling.gov.bc.ca

Join our Extended Producer Responsibility e-link mailing list www.env.gov.bc.ca/epd/recycling/epr/index.htm

From: Tyson, Greg ENV:EX

Sent: Tuesday, February 28, 2012 4:19 PM

To: 'langleybottledepot'

Subject: RE: RCBC Member Advisory: Consultation on the Beverage Container Product Category in the

Recycling Regulation

Dear s.22

Thank you for your submission to the beverage container consultation. Your submission will be included within the process.

Kind regards,

Greg

-----

**Greg Tyson** 

BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tys on@gov.bc.ca www.recycling.gov.bc.ca **From:** langleybottledepot [mailto:langleybottledepot@shaw.ca]

Sent: Tuesday, February 28, 2012 4:15 PM

**To:** Tyson, Greg ENV:EX

Subject: RCBC Member Advisory: Consultation on the Beverage Container Product Category in the

Recycling Regulation

Hello Greg,

s.22 the Langley Bottle Depot. I received an email from the Recycling Council of B.C. and I would like to share with you today some of the view's that I have in regards to the report that includes the subject of deposit levels.

For awhile now, the deposit level in B.C. has not changed and with the current value of our currency the 5 cents deposit charge does not seem to have any face value to the consumers or being an incentive to go recycle their containers as the value to return is too low. This is in comparison to the level of increase of other daily necessity such as the high gas prices, the value of a simple milk jug. To a consumer everything else seems to have gone up in price and the amount of time they spend on recycling may not be worth it with the downfall of our economy. Look at the recovery rate of beer cans its over 95% in its units and it seems to stay at a constant high figure. Therefore, I recommend that the current deposit level of non alcoholic beverage containers should take an increase of 5 cents. Hence the increase of the recovery rate in containers and it's not that the consumers will be affected as they are eventually getting their refund. Now on the other hand, I as the business owner would see it as a disadvantage due to the increase in capital that is injected into my business with the same amount of revenue but if I weigh the advantage, it eventually pays off the disadvantage.

Secondly, I want to point out the issue in regards to the recycling containers that end up in our local grocery or retail stores. I find that there are health issues and an expense added for Encorp to facilitate the logistics for this matter. I earnestly request that the retail store owners or grocery store owners should not accept any containers but instead direct them to any nearest bottle depot location.

Thirdly, there has been the overlaying issue of beer cans and bottle deposits. The public are complaining on the discounting of the beer refund that they are being received. Many bottles depot's have to refund 8 cents back which is 2 cents less than the customers should receive. We only do this because we have to recover the cost from somewhere. I am requesting that there should be fairness in issuing beer license and that handling fees should be paid equally throughout the bottle depots in B.C.

I appreciate you taking the time out to read my concerns and I hope for a positive response concerning this matter.

Yours Sincerly

s.22

## MINISTRY OF ENVIRONMENT MEETING INFORMATION NOTE

March 9, 2012 File: 50400-25/BEV BDL CLIFF/tracking #: 164812

#### PREPARED FOR: Honourable Terry Lake, Minister of Environment

DATE AND TIME OF MEETING: March 22, 2012; 1:00-1:30pm

**ATTENDEES:** Bryan Cox, Vice President and Brian Zeiler-Kligman Director, Sustainability, Canada's National Brewers

**ISSUE:** Canada's National Brewers is seeking to introduce Minister Lake to their product stewardship system and discuss their stewardship program in the context of the emerging stewardship program for packaging and printed paper.

#### BACKGROUND:

Canada's National Brewers is an advocacy group representing Labatt Breweries, Molson Breweries and Sleeman Breweries, Canada's three largest brewers; and Brewers' Distributor Ltd. (BDL), the stewardship agency under the Recycling Regulation to represent producers of domestic beer sold in cans and refillable bottles (Encorp Pacific is the stewardship agency representing all other beverage producers).

The BDL stewardship program collects empty beer containers for refill and recycling from licensed establishments, retail stores and selected bottle depots across BC.

#### DISCUSSION:

#### SUGGESTED RESPONSE:

s.13

Contact: Jim Standen, ADM Environmental Protection Division 250 387-1288 Alternate Contact: David Lawes, Manager Environmental Standards Branch 250 387-3588 Prepared by: Greg Tyson, Analyst Environmental Standards Branch 250 387-9774

Reviewed by	Initials	Date		
DM	JS for CM	Mar 15/12		
DMO	VJ – edits	Mar 15/12		
ADM	JS	Mar 14/12		
Dir./Mgr.	DL/DR	Mar 13/12		
Author	GT	Mar 12/12		

#### [2012-03-28] 166078 Canada's National Brewers: follow-up to last week's meeting

Subject	[2012-03-28] 166078 Canada's National Brewers: follow-up to last week's meeting
From	Minister, ENV ENV:EX
То	Corres pondence Unit ENV:EX
Sent	Wednesday, March 28, 2012 10:26 AM
Attachments	DEPOSIT LEVELS PP

From: Zeiler-Kilgman, Brian [ \_\_\_\_\_\_ Sont: Tuesday, March 27, 2012 2:08 PM To: Giddens, Kiel ENV:EX; Minister, ENV ENV:EX Ce: Cox, Bryan Subject: Canada's National Brewers: follow-up to last week's meeting

#### Dear Minister Lake:

It was pleasure meeting with you last week. I enjoyed seeing your tweets about the brewers' water stewardship efforts.

laiso wanted to quickly follow up with you from our discussion about the Schedule 1 consultation. I wanted to provide you with some information that shows that increased deposit levels result in higher recovery rates in all jurisdictions. The attached is the presentation on deposit levels (one of four presentations on specific legislative issues) that was prepared by the facilitator for the November public workshop. On slide 9 you'll see a 2006 survey of containers with 5-cent and 10-cent deposits that found that containers with a 10-cent deposit had on average a 13% higher median recovery

I also wanted to highlight a recent news item in Newfoundland, where a brewery has doubled its deposit as a means of being able to recover more of their unique beer bottles (because they know that the higher economic incentive leads to higher recovery): http://www.cbr.ra/rew/ontoen/story/2012/03/17/bit-iccluse-best-booker-31/familia

I'd be happy to provide you with more information on the connection between higher deposit levels and higher recovery rates if you'd like. Suffice it to say that it would be a very low-cost way to increase performance in BC. Llook forward to continuing to work with you and your staff on this and other issues.

Kind regards, Brian

Canada's National Brewers

Brian Zeiler-Kligman, M.A., LLB. Director, Sustainability Canada's National Brewers

Direct: 905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

## REGULATORY PROVISION UNDER REVIEW

## Section 5

## Minimum Deposit levels

## **Background Information**

#### Deposit

5 (1) A seller must collect from the purchaser, at the time of sale of a beverage in a container, a deposit in an amount not less than the amount in Column 2 of Table 1, set out opposite the container size and beverage type in Column 1.

#### Container Deposit and Refund

#### Table 1

#### Container Size and Beverage Type - Minimum Amount of Deposit or Refund

one litre or less for non-alcoholic beverages 5¢ one litre or less for alcoholic beverages 10¢ more than 1 litre for any beverages 20¢

- (2) The deposit required by subsection (1) must be shown on the purchaser's receipt if a receipt is given.
- (3) The deposit amount set out in Table 1 is an amount that includes any applicable taxes imposed under Part IX of the Excise Tax Act (Canada).
- (4) This section does not apply to a seller if
- (a) the seller sells a beverage in a container for consumption on the premises of the seller and the beverage is consumed on those premises, or
- (b) (b) the seller is a manufacturer or manufacturer's agent who sells a beverage in a container to the Liquor Distribution Branch and the Liquor Distribution Branch has elected under section 2 (2) to be the producer for that container.

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## Canadian Deposit Levels

Cross-Canada refundable deposit rates for select container types												
	BC	AB	SK	MB	ON	QC	NS	NB	NF	PEI	YK	NWT
Refillable beer bootle	10	10	10	to	10	10	10	10	10	10	10	10
Glass loop, other, exoder 5	10	10	10/20	10	10	10	Ţ.	9	5	6	16	75
Glass Wine & Spirits > 1L	211	28	10.	-Z((	20		10	10	10	10	25	25
Aluminum can - Best	.10	110	10	1.0	10	â	S	6	-5	1.8	1.00	One
Alimsonm van - Other	5	žų.	10.			ś	9	5	5	5	- 56	1,0
Plantic ± 1L	3	10.	10.				5	8	18.	6	1.6	10
Plastic > 1 L	2.0	75	20				9	9	- 3/	30	7.5	10
Glass & TL	5.	10	10/20				8	8	18	8	5	10
Glass > 1L	20	23	40.				5	5	5	5	25	10

- BC levels for all container types are equal to or lower than levels in Alberta and Saskatchewan
- The Maritime provinces use a half-back type of deposit instead of a deposit plus fee (i.e. CRF)

## US

- US systems generally have lower deposit levels than Canada
- . 5-cents on a can or small bottle is the normal
- Michigan is an exception with 10 cents on all containers

US Deposit Levels (US CENTS)				
State	Deposit level	Overall recovery rate		
California	5 cents (under 24oz.) 10 cents (24 oz. and up)	88.0%		
Connecticut	5 cents	N/A		
Hawaii	5 cents	79.0%		
Iowa	5 cents	86.0%		
Massachusetts	5 cents	70,8%		
Maine	5 cents (non alcoholic) 15 cents (wine/liquor)	N/A		
Michigan	10 cents	96.9%		
New York	5 cents	66,8%		
Oregon	2 cents (standard refillable) 5 cents (all others)	84.0%		
Vermant	5 cents (non alcoholic) 15 cents (wine/liquor)	85.0%		

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## Europe

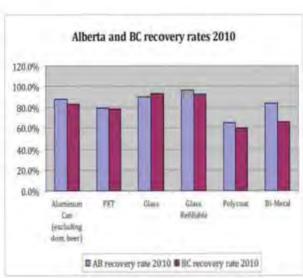
 Many European nations have deposit levels substantially higher than typical North American levels

European Deposit Levels					
Country	Deposit level				
Denmark	27 cents (US) - Small 78 cents (US) - Large				
Germany	34 cents (US) - One way containers 11 cents (US) - Refillable beer 20 cents (US) - Refillable water, soft drink, or juice				
Netherlands	16 cents (US) - Small 72 cents (US) - Large 64 cents (US) - Refillable PET > 1L				
Sweden	13 cents (US) - Aluminum cans and PET bottles up to 1L 26 cents (US) - PET > 1L				

## British Columbia and Alberta recovery rates

AB rate exceeds BC rate for all container types (excludes all domestic beer)

Container Type	ALBERTA	BRITISH COLUMBIA
Aluminum Can	88.2%	83,5%
PET	79.5%	78,3%
Glass	90.2%	93.3%
Polycoat	65.2%	60.0%
Bi-Metal	83.7%	65.9%



Sources

ABCRC Annual report 2010

Encorp annual Report 2010

## B.C. Deposit levels and share of beverage market by container type and deposit level

DEPOSIT / REFUND	BC			
Container Type	Refundable Deposit in cents SCAN	Quantity Sold	Percent of total market	
Containers up to 1L	5	995,178,191	53%	
Containers over 11.	20	86,045,597	5%	
Wine & Spirit Containers < \$1	10	72,838,434	4%	
Wine & Spirit Containers over 11	20	14,076,081	1%	
Beer bottles up to 11.	10	108,792,080	- 6%	
Beer bottles over 1).	20	575,957	0.03%	
BDL Cans	10	460,566,384	24%	
Refillable beer bottles	10	144,185,532	8%	

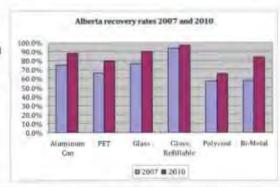
- Non-alcohol containers make up a 58% share of total beverage market
- Containers with a 5-cent deposit make up 53% share of total beverage market
- Containers with a 20-cent deposit make up 5% share of total beverage market

Saurce: BLIL and Encorp 2010 annual reports

## Alberta Deposit level Increase 2008

- Recovery rate for the primary container types rose ~13% from 2007-2010
- Refillable beer bottle remained 10-cent and rate increased by 2.8%

ARCRC Annual report 2007 ARCRC Annual report 2010



Alberta Recovery Rates 2007 and 2010			
Container Type	2007	2010	Percent Increase
Aluminum Can (excluding dom. beer)	75.3%	88.2%	12.9%
PET	66.7%	79.5%	12.8%
Glass	76.8%	90.2%	13.4%
Glass Refillable	94.0%	96.8%	2.8%
Polycoat	56.9%	65.2%	8.3%
Bi-Metal	57.7%	83.7%	26.0%

## 5-cent vs 10-cent deposit

 2006 research for Recyc-Quebec in QB compared recovery rates for containers at 5 and 10-cent deposits

	5-cent refund	10-cent refund
Total Samples	40	9
Mean (average of averages)	62%	82%
Median	66%	79%
Weighted Average	74%	85%

- 40 samples of SKUs with 5-cent deposit, 9 samples of SKUs with 10-cent deposit
- Median recovery rate for 5 cent SKU was 66%, for 10 cent SKU 79%
- Weighted average recovery rate for 5-cents was 74%, for 10-cents 85%
- Other influencing factors include:
  - Convenience (R2R, depot, or both)
  - Container type on deposit (traditional vs non-tradition containers)
  - Program duration (how long has the program been in place?)
  - Location of consumption (on-the-go; bar and restaurants etc.)
  - Multi-pak versus single-pak

## Stakeholders comments on maintaining current deposit levels

- Current recovery rates are good (surpassing target) no need to change
- Consider alternative methods to improve performance (increased P&E; public space bins etc.)
- Need to consider the marginal cost increase to consumers for the marginal recovery increase
   is there a cheaper way to improve performance?
- Increasing deposits to 10-cents will not change recovery rate because consumers are too rich

   not a high enough incentive
- Increased deposits will cost consumers more; may impact some sales; will impact sales on small cheaper containers (eg. Small juice (3 for \$1) and some water bottles)
- Should consider any distortions in the marketplace
- Will drive cross-border shopping to US
- Any increase should be carefully analyzed to consider impacts on consumers; costs; and how much of an impact it will have on recovery
- Increases will not improve recovery, just increase refunds for scavengers

# Stakeholders comments on increasing deposit levels

- Value of 5-cents is not what it used to be. Must increase refund to keep pace with inflation
- Consider 10 and 25-cents (two-tier) like Alberta a more harmonized approach
- Consider 10-cent deposit on ALL containers (one-tier) to provide less confusion and simplicity in sorting and operations
- One-tier deposit level will allow depots to reduce sorts by "at least half".
- Increasing deposit levels will improve economics of program
- Need to consider the impact on scavengers

#### [2012-04-18] RE: Canada's National Brewers: follow-up to last week's meeting

Subject	RE: Canada's National Brewers: follow-up to last week's meeting
From	Minister, ENV ENV:EX
То	'bz-k@nationalbrewers.ca'
Sent	Wednesday, April 18, 2012 11:26 AM

Reference: 166078

April 18, 2012

Brian Zeiler-Kligman

Email: bz-k@nutionaftrewers ca

Dear Mr. Zeiler-Kligman:

Thank you for your email of March 27, 2012, regarding the recent Ministry of Environment consultation process to review key aspects of the beverage schedule of the Recycling Regulation

The objective of the consultation was to identify options to increase the recovery rate for beverage containers and improve invironmental management of collected containers with the least incremental financial impact to consumers and producers. Deposit-refund levels were a major theme during the consultation and stakeholders expressed a broad diversity of views on the issue.

The Ministry of Environment is now reviewing the consultation input we received, and we are considering whether changes are warranted. If we conclude that changes may be appropriate, there would be a more detailed consultation process to explore the impact of these potential changes in greater depth.

Thank you again for taking the time to write.

Sincerely.

Terry Lake Minister of Environment

From: Zeiler-Kligman, Brian [malito:bz-k@nationalbrewers ca] Sent: Tuesday, March 27, 2012 2:08 PM To: Giddens, Kiel ENV:EX; Minister, ENV ENV:EX Cc: Cox, Bryan

Subject: Canada's National Brewers: follow-up to last week's meeting

Dear Minister Lake:

It was pleasure meeting with you last week. I enjoyed seeing your tweets about the brewers' water stewardship efforts.

l also wanted to quickly follow up with you from our discussion about the Schedule 1 consultation. I wanted to provide you with some information that shows that increased deposit. levels result in higher recovery rates in all jurisdictions. The attached is the presentation on deposit levels (one of four presentations on specific legislative issues) that was prepared by the facilitator for the November public workshop. On slide 9 you'll see a 2006 survey of containers with 5-cent and 10-cent deposits that found that containers with a 10-cent deposit had on average a 13% higher median recovery rate.

lalso wanted to highlight a recent news item in Newfoundland, where a brewery has doubled its deposit as a means of being able to recover more of their unique beer bottles (because they know that the higher economic incentive leads to higher recovery): http://www.cbc.ca/news/offbeat/story/2012/03/17/ni-iceberg-beer-bonies-317.htm

I'd be happy to provide you with more information on the connection between higher deposit levels and higher recovery rates if you'd like. Suffice it to say that it would be a very lowcost way to increase performance in BC. I look forward to continuing to work with you and your staff on this and other issues.

Kind regards, Brian



Canada's National Brewers

Brian Zeiler-Kligman, M.A., LL.B. Director, Sustainability Canada's National Brewers

Direct: 905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

Subject	[2012-05-11] 168357 my email of May 6, 2012	
From	s.22	
То	Minister, ENV ENV:EX	
Sent	Friday, May 11, 2012 1:00 PM	

#### dear sir

my email of May 6, 2012 asked simple questions. Of the two, this is the most important

Who do I advise that a vendor has illegally charged 30 cents recycling for a one litre plastic container?

It is now the 11th, the end of the week and I have not had a reply, nor does your locall office know the answer.

Surely someone in the government can answer and reply to a simple question quickly.

thank you

s.22

#### [2012-05-22] 168357 FW: Recycling Fee Fraud

Subject	[2012-05-22] 168357 FW: Recycling Fee Fraud	
From	Minister, ENV ENV:EX	
То	Corres pondence Unit ENV:EX	
Sent	Tuesday, May 22, 2012 3:50 PM	

From: S.22

Sent: Thursday, May 17, 2012 10:28 AM

To: Minister, ENV ENV:EX

Cc: steve urwin

Subject: Recycling Fee Fraud

May 17, 2012 Please direct to the personal attention of Dr. Lake. thank you

Dear MLA Dr. Terry Lake

Re my email of May 6, 2012 directed to your Victoria Ministerial Office regarding Recycling Fee Fraud.

A Nation Retailer, Zellers, was attempting to deviate from the recycling protocols, which I was led to understand, is under your administration.

I considered this would be a matter of some concern to your department.

\*\*is with CU to draft reply to original incoming\*\*\*

Your government office was advised and confirmed receipt of message and since then I have heard nothing from the government.

Shortly after I sent the May 6 email, I spoke to ms Stephanie Hurlbert of your Kamloops Constituents Office.

She exhibited a high degree of professional integrity toward my concern, provided telephone numbers for me to call, and photocopies of the recycling fee schedule, checking back to confirm photocopy had been rec'd.

After many phone calls and emails, between Zellers and all those I could communicate with, the result was this. Some did not reply, some did not know how to proceed, and many did not give a d.

Mr. Steve Urwin of Zellers was polite, Elaine (Manager of local Zellers) showed no concern, Stephanie was helpful and you were silent.

Consumers as a group, spend billions of dollars every day, and for the most part are well served. However many people are not in a position to carefully monitor all aspects of their transactions and sometime are deliberately ripped off and they are completely unaware of the fact.

Some people like myself are aware of some of the many ramifications concerned in making a purchase of any kind, and if I discover an error, I would simply expect a correction and perhaps an apoplgy. They stringently insisted that I pay the wrong fee before I could examine the bill.

Perhaps they are like a number of other people who think they can do what they want without consequence and do not consider it a crime untill they are caught.

So the net result of my efforts are to no avail, the little guy gets suckered again.

Have a nice day,

s.22

Subject	[2012-05-31] RE: DMO Request: bottle recycling
From	Tyson, Greg ENV:EX
То	Arms trong, Meegan ENV:EX
Sent	Thurs day, May 31, 2012 11:09 AM
Attachments	PGE -
	201205231 44329

#### Take two:

#### The writer raises three issues:

- Retail returns for beverage containers the regulation requires retailers to accept up to 24
  containers per person per day from consumers. Government liquor stores in the past have
  sometimes accepted more than 24 as a courtesy, but there is no obligation in law to do so.
- 2. **Discounted beer refunds** The regulation only requires that depots identified in a stewardship plan pay full refund for containers. If a depot is <u>not identified in an approved stewardship plan</u> there is no legal obligation to pay a full refund. Most Encorp depots are not authorised depots under the Brewers' Distributor Ltd. beer stewardship plan. To locate full refund beer locations the writer can look online: <a href="http://www.beerbottlerefund.com/">http://www.beerbottlerefund.com/</a>
- 3. **Refunds for milk containers** Government decided that milk containers should be managed as packaging rather than in the deposit refund system. Milk containers can be returned for recycling at many Encorp bottle depots but without a refund <a href="http://www.return-it.ca/milk/">http://www.return-it.ca/milk/</a>

**From:** Armstrong, Meegan ENV:EX **Sent:** Thursday, May 31, 2012 10:25 AM

To: Tyson, Greg ENV:EX

Subject: RE: DMO Request: bottle recycling

Greg—great info, but could you distilit to just a few lines a bullet. Keep your audience in mind. I need to get it back to Angie by day's end. Thanks.

C. Meegan Armstrong | Senior Policy Analyst | Environmental Quality Branch | Ministry of Environment 3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1 T: 250.356.9089 | F: 250. 356-7197

Join our Extended Producer Responsibility e-Link Mailing list @ http://www.env.gov.bc.ca/epd/recycling/epr/index.htm

From: Tyson, Greg ENV:EX

**Sent:** Tuesday, May 29, 2012 2:50 PM **To:** Armstrong, Meegan ENV:EX

Subject: FW: DMO Request: bottle recycling

#### The writer raises three issues:

- Retail returns for beverage containers the regulation requires retailers to accept up to 24
  containers per person per day from consumers and pay a refund equal to the amount prescribed
  in Schedule 1 or the deposit paid (whichever is greater). Government liquor stores in the past
  generally accepted more than 24 as a courtesy, but there is no obligation in law to do so.
- 2. Discounted beer refunds there are two stewardship plans for beverage containers: Encorp for non-alcohol containers, wine, spirits and import beer; and Brewers' Distributor Ltd. for domestic beer in refillable bottles and disposable cans. The Encorp plan provides for returns at retail stores where beverages are sold (likely several thousand locations) as required by law and at bottle depots (about 180) across BC. The BDL plan provides for returns at any beer retailer (over 1000) and a much smaller number of bottle depots.

The key is that the regulation only requires that depots identified in a stewardship plan pay full refund for containers covered under the respective plan. If a business that is <u>not identified in an approved stewardship plan</u> presents itself to consumers as a "depot" there is no legal obligation age 34

to pay a full refund for beverage containers. The "depot" offers a refund to consumers of less than the full deposit value (5 to 7 cents is common on a 10 cent beer bottle) and earns profit by collecting the full refund value from the stewardship agency. Most Encorp depots are not authorised depots under the Brewers' Distributor Ltd. stewardship plan. To locate beer return locations the writer can look online: <a href="http://www.beerbottlerefund.com/">http://www.beerbottlerefund.com/</a>

3. Refunds for containers of milk and other packaging – the inclusion/exclusion of milk in the deposit refund system has been the focus of considerable discussion in the local government/environmental community since the early 1990s. Government decided that milk packaging should be managed as packaging, first under solid waste management plans and now under the upcoming stewardship program for packaging. Milk containers can be returned at many Encorp bottle depots without refund value. http://www.return-it.ca/milk/

Greg Tyson

BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

Join our Extended Producer Responsibility e-link mailing list www.env.gov.bc.ca/epd/recycling/epr/index.htm

**From:** Armstrong, Meegan ENV:EX **Sent:** Monday, May 28, 2012 9:48 AM

**To:** Tyson, Greg ENV:EX **Cc:** Armstrong, Meegan ENV:EX

Subject: FW: DMO Request: bottle recycling

Greg,

Can you have a look at the attached letter and provide some comments back to me to pass on to Kristin. It think we've replied to MO's on this subject more than a few times.

C. Meegan Armstrong | Senior Policy Analyst | Environmental Quality Branch | Ministry of Environment 3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1 T: 250.356.9089 | F: 250. 356-7197

Join our Extended Producer Responsibility e-Link Mailing list @ http://www.env.gov.bc.ca/epd/recycling/epr/index.htm

From: Poss, Angie ENV:EX
Sent: Friday, May 25, 2012 2:10 PM
To: Armstrong, Meegan ENV:EX

Subject: RE: DMO Request: bottle recycling

Nope. This can wait until next week.

 $Enjoy\,the\,scenic\,drive.$ 

**From:** Armstrong, Meegan ENV:EX **Sent:** Friday, May 25, 2012 2:09 PM

To: Poss, Angie ENV:EX

Subject: Re: DMO Request: bottle recycling

Hi Angie

Is this urgent or can it wait till Monday. Our whole group is currently en route back from RCBC - and not all together - and I am having challenges reading the attached letter on my BB. If it's urgent I'll hit a place with WiFi (Squamish) and fire up the laptop and have a look.

Meegan Meegan Armstrong Ministry of Environment 250-356-9089

Sent from a Blackberry

From: Poss, Angie ENV:EX

**Sent**: Friday, May 25, 2012 01:28 PM **To**: Armstrong, Meegan ENV:EX

Cc: Day, Kristin ENV:EX

Subject: DMO Request: bottle recycling

I think there are aspects of this request that fall under your area. Can you forward some information to Kristen please?
Thanks
Angie

From: Day, Kristin ENV:EX

Sent: Friday, May 25, 2012 1:24 PM

**To:** Poss, Angie ENV:EX **Subject:** FW: RicohScan

Hi Angie,

Please see Sabrina's request below. Can you have someone look into this and get back to me please?

#### Thanks!

#### Kristin

**From:** Loiacono, Sabrina ENV:EX **Sent:** Friday, May 25, 2012 9:56 AM

To: Day, Kristin ENV:EX Cc: Jackson, Vickie ENV:EX Subject: RE: RicohScan

Hi Kristin,

Can you please take a look at the attached letter and get an answer to what is relevant to MoE?

#### Thanks ©

S.

From: Gale, Barb [mailto:Barb.Gale@leg.bc.ca]
Sent: Wednesday, May 23, 2012 2:49 PM

**To:** Loiacono, Sabrina ENV:EX; Kerr, Carleen JAG:EX **Cc:** King, Judy LASS:EX; Smith, Sharon LASS:EX

Subject: FW: RicohScan

#### Hi

I think this may fall under environment and Liquor stores so am fishing... ©

This is very commendable and they have made some good points. Is there anything we can do to assist these folks, they need to be encouraged to continue as the money raised goes towards the Children's Hospital.

#### Regards

Barbara Lee Gale ©

Constituency Assistant for John Rustad MLA for Nechako Lakes Phone 250-567-6820

Toll Free 1-877-964-5650 Barb.gale@leg.bc.ca www.johnrustadmla.bc.ca

From: ricohmfd@leg.bc.ca [mailto:ricohmfd@leg.bc.ca]

**Sent:** May-23-12 2:40 PM

**To:** Gale, Barb **Subject:** RicohScan

John Rustad, MLA Nechako Lakes. Houston Constituency Office: 2500 Butler Ave. Box 1142 Houston, B.C. VoJ 120

s.22

May 17 2012

Part 23/12

Dear John Rustad.

Thank you for your thank you letter of April 16/12 regarding Burns Lake Hospital.

I have been recycling cans & bottles for many years. For Cubs & Scouts, Lions Etc. A few years ago we took in \$3000.00 in one year. For this past four years all proceeds have gone to Vancouver Childrens Hospital. We started with

s.22

We cover all overhead costs ourselves, so take loads into town when we go shopping etc.

B.C. Government Liquor stores are becoming harder & harder to accept returns of more than two to five dozen per day. I can take up to 200 doz. in one trip. Also I have had them tell me we don't sell that Brand anymore, even though they did a few monthes ago.

My present return depots are Burns Lake Govt.Liquor Store, who are very obliging, but it is hard to carry large amounts into, I only take beer cans & brown refilable beer bottles here because of that reason, everything else goes to Houston Bottle Depot who are very obliging & easy to unload at.

Beer cans & brown bottles are worth 10 cents in Liquor Stores but only 7.5 cents at Bottle Depots, all other Liquor bottles are the same price.

In Yukon & Alberta also I believe some other Provinces all returns go to Bottle Depots. I believe this would be better.

I understand Liquor Stores have limited storage space & would sooner sell than pay out, also they are not rearly geared up for recycling, Bottle Depots are.

We collect & return more & more items to Houston for recycling but don't recieve any money for milk bottles plastic bags etc.but it keeps it out of the land fill.

Government Liquor stores charge a deposit then are unwilling to accept returns from groups like ours.

Is there anything you can do or advise.

Thank you.

"The we care group" We are unregistered, but use the name with Childrens Hospital.

We are s.22 s.22

who came up with idea to donate to Childrens.

s.22

## 2012-06-28 BDL - 2012 Annual Report

Subject	BDL - 2012 Annual Report
From	Zeiler-Kligman, Brian
Го	Ranson, David ENV:EX; Lawes, David ENV:EX; Tyson, Greg ENV:EX
Сс	Cox, Bryan
Sent	Thursday, June 28, 2012 11:58 AM
Attachments	BC - 2012 stewardsh  S.T. Yeung -
	Test Proce

#### David, David and Greg:

lam pleased to provide you with a copy of BDL's 2012 Annual Report (covering calendar year 2011) and our Test Procedures Results, pursuant to s. 8(2). A hard copy of these documents will follow shortly in the mail.

#### Some highlights to note:

- 93% recovery rate
- 93% average recovery rate over the last 5 years
- 554 million containers recovered
- Over 44,000 tonnes diverted from BC landfills
- 98% consumer awareness of our program
- 247 collection partners as of December 31, 2011

look forward to having the opportunity to discuss this continued strong performance with you in the near future.

Kind regards, Brian



#### Brian Zeiler-Kligman, M.A., LL.B.

Director, Sustainability Canada's National Brewers

Direct: 905-361-4193 Cell: 416-458-8293

Twitter: @EnviroBeerGuy



# Brewers Distributor Limited 2011 Stewardship Annual Report

Covering the Period: January 1, 2011 – December 31, 2011



Brewers	
Distributor Ltd.	

## 2011 BC Product Stewardship Annual Report

Submitted to: Director of Waste Management Environmental Quality Branch Ministry of the Environment

P.O. Box 9341, STN PROV GOVT

Victoria, B.C. V8W 9M1

Prepared by: Canada's National Brewers

# 1106-750 West Pender Street Vancouver, British Columbia

V6C 2T8

Date: June 29, 2012

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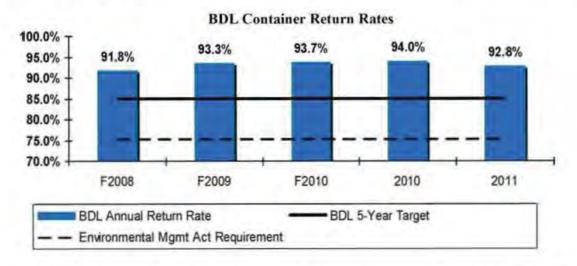
## 2011 BDL Program Highlights

- 554 million beer containers collected
  - Return Rate of 93% for all beer containers
- 1,277 return locations
  - Beer containers can be returned for refund at all BC Liquor stores, all private liquor stores and private bottle depots
- Over 50 manufacturers with containers managed under BDL's product stewardship system
- 24 B.C. breweries using refillable beer bottles
  - Includes 13 breweries using the industry standard refillable bottle
- 120 million refillable beer bottles collected
  - Return rate of 94.5%
  - Bottles refilled an average of 15 times before being recycled into new glass bottles
- 433 million beer cans collected
  - Return rate of 92.3%
  - Aluminum cans recycled into new aluminum cans
- Over 44,000 tonnes of packaging diverted from B.C. landfills
- Greenhouse gas emission reductions equivalent to taking 13,600 cars off BC roads and highways

## 1. Executive Summary

In calendar year 2011, the Brewers Distributor Limited (BDL) product stewardship program continued to generate outstanding results. Its overall container return rate reached 92.8%, a slight decline from calendar year 2010. BDL's principal performance return rate target of 85% was exceeded in all product categories.

For over 80 years, B.C. Brewers have demonstrated leadership in product stewardship by sustaining high container return rates for the province of British Columbia, recovering their containers well before a deposit-return system was mandated by the BC Government. For example, BDL's return rate of 92.3% on beer cans is one of the highest return rates for this type of packaging in North America. BDL's average overall return rate over the last five years is over 93%.



Use of reusable containers and the diversion of recyclable materials from landfill avoids unnecessary consumption of energy and related greenhouse gases and pollution. In 2011, the BDL product stewardship system helped avoid the generation of 69,326 tonnes of CO2 emissions – equivalent to taking about 13,600 vehicles off of B.C. roads and highways.

Consumer convenience remains a key attribute of the BDL product stewardship system. In total, the BDL container management system offers consumers 1,277 return locations (as of December 31, 2011). These locations include government liquor stores, rural agency stores, private retail liquor stores and private bottle depots.

<sup>1</sup> In Canada, only the province of Saskatchewan reports higher return rates for aluminum cans than BDL's stewardship program has delivered in the last few years. In the United States, while select deposit states generate high return rates, recycling rates for aluminum cans in most states is well below fifty percent. See Who Pays What 2010: An Analysis of Beverage Container Recovery and Costs in Canada by CM Consulting for a summary of provincial container return rates.

## 2. Program Outline

In addition to distributing the majority of beer for sale in British Columbia, BDL collects refillable glass beer and cider bottles and imported & domestic beer cans sold in British Columbia. These containers include the industry standard brown refillable glass beer bottle, non-standard refillable glass beer bottles, refillable cider and cooler glass bottles and aluminum beer cans. BDL does not collect non-refillable glass beer bottles (import beer) – Encorp Pacific acts as the steward for these non-refillable containers. BDL also distributes and collects beer kegs.

Breweries and other beverage manufacturers represented under the product stewardship component of BDL's operations include all breweries operating in the province and imported brewers who designate BDL as their product steward when they obtain Liquor Distribution Branch approval to sell brands in cans. For a list of brewers and other manufacturers covered under the plan, see Appendix A.

BDL is a joint venture company, owned by Molson Coors Canada and Labatt Brewing Company Ltd., which distributes beer and maintains product stewardship responsibilities throughout Western Canada. In British Columbia, BDL's product stewardship functions are funded by fees set by the British Columbia Brewers' Recycled Container Collection Council (the Council), a not-for-profit society comprised of domestic beer industry representatives. These fees are set on a cost-recovery basis and are internalized to brewers – they are not levied on the consumer as a charge in addition to the retail price.

Council member companies collectively represent over 95 percent of beer sold in the

province and include a cross section of large and small brewing interests. The Council was established to provide transparent management of BDL's financial, regulatory and logistical product stewardship requirements.

operates warehousing BDL distribution facilities throughout British Columbia and distributes beer to all types of provincial liquor stores, including government-run Liquor Distribution Branch (LDB) outlets, private licensee retail stores (LRS) and LDB rural agency stores (private businesses authorized by the LDB to sell liquor with other goods in smaller or remote communities) as well as bars, restaurants, cabarets and other licensed establishments.



#### Brewers Distributor Ltd.

As the province's primary beer distributor, BDL is ideally placed to operate an efficient closed loop product stewardship system. BDL delivers full goods to over 4,000 retail locations and licensed establishments and picks up empty containers on the same trips, Combining product delivery with container pickup minimizes the number of trucks on the road and reduces BDL's carbon footprint. This convenient and efficient system helps to reduce costs to consumers and improve return rates.<sup>2</sup>

Consumers can return beer containers to the retail locations where beer is purchased or to private bottle depots. BDL refunds to each of these return locations the full deposit paid by the consumer on the container, with BDL's recovery rate for the calendar year determined on the basis of audited statements for deposits collected and refunded in the calendar year. BDL has contractual arrangements with a number of private liquor retail stores and private bottle depots to collect and sort BDL containers. These contracts commit BDL collection partners to accept unlimited consumer returns when they collect BDL containers ("unlimited return locations").

Refillable bottles collected by BDL are returned to manufacturers for cleaning and reuse. They are reused an average of 15 times. Refillable bottles accounted for approximately 22% of the containers BDL managed in 2011.

Beer sold in aluminum cans accounted for approximately 78% of the containers BDL collected in 2011. Aluminum cans are compressed and sent to ALCOA in the United States to be recycled into new cans and other products.

Aluminum kegs are collected from licensees and returned to brewers for refilling. Draught beer kegs are reusable and can last for up to 50 years. Kegs, at the end of their lifecycle, are crushed and recycled.

BDL's product stewardship system is funded by: fees paid by brewers based on their container volumes; the unclaimed portion of consumer deposits on containers; container recycling fees (charged internally to manufacturers, not as an additional charge to the consumer); and revenues BDL obtains on the sale of collected materials, such as aluminum. In 2011, the BDL container recycling fee applied to cans was \$0.02 per can.<sup>3</sup>

Brewers' environmental stewardship goes beyond the regulated container collection system as 100% of brewer packaging is reusable or recyclable. Information on BDL's product stewardship system can be found at <a href="https://www.beerbottlerefund.com">www.beerbottlerefund.com</a>.

<sup>3</sup> This fee was reduced to \$0.00 per can on April 29, 2012. There is no container recycling fee for glass bottles.

<sup>&</sup>lt;sup>2</sup> The reverse logistics of BDL's container management system do not pertain to containers collected from empty bottle depot locations, as BDL does not deliver full goods to these private, independent businesses.

## 3. Educational Materials and Strategies

BDL continues to enjoy strong consumer awareness of, and satisfaction with, its stewardship program. In 2011, BDL undertook significant stakeholder and public promotion and education activities.

Whereas in the past few years, the focus of these initiatives has been on improving consumer information about container return options, starting in 2012, BDL will place greater emphasis on educating stakeholders, including the public, about how BDL's product stewardship system operates and the environmental benefits and performance it delivers for BC residents. BDL believes that once stakeholders have a better understanding of program performance, they will become ambassadors of the program, driving greater awareness and participation, as BDL strives to achieve higher recovery rates.

In late 2011, Canada's National Brewers (CNB) – the trade association representing BDL's shareholders – hired its inaugural Director of Sustainability. The creation of this role is a reflection of the brewers' continued commitment to responsible production, incorporating sustainability into all facets of their operations, including the collection, reuse and recycling of containers.

While this role is national in scope, BC is one of the focus areas for this position. Among other activities, CNB's Director of Sustainability will work with the public and with stakeholders to raise awareness about BDL's product stewardship program. BDL is looking to renew existing relationships and to create a number of new relationships. The Director of Sustainability's outreach activities will continue into 2012.

In line with commitments in its 5-year stewardship plan, BDL conducted a consumer survey in March 2011, which received over 1,250 responses. The poll revealed that 98% of consumers are aware of the deposit on beer container purchases. Over 90% of consumers expressed high satisfaction with the return options available to them. As well, the poll showed that 99% of beer consumers ensure that their containers are reused and recycled, with those not directly returning containers donating them to bottle drives and other collectors.

Brewers continued their sponsorship of, and participation in, various recycling conferences and initiatives. BDL sponsored RCBC's annual conference in Whistler, as well as funding RCBC's recycling hotline (for the  $12^{th}$  consecutive year) and its Recyclepedia app. In addition, BDL sponsored the Coast Waste Management Association's Annual Conference in Victoria. BDL is also engaged with other stewards, sharing information and promoting best practices, through the Stewardship Agencies of BC. BDL also partnered with other stewards in the development and distribution of a brochure detailing the stewardship programs in BC.

BDL continued its communication partnership in support of the deposit-return system with private liquor stores through their industry association, the Alliance of Beverage Licensees of British Columbia (ABLE BC). ABLE BC regularly informs its members of the partnership through newsletters, publications and surveys. BDL continues to provide its collection partners with point-of-sale signage to let consumers know of unlimited return locations and continues to run the website beerbottlerefund.com (url recently changed to <a href="https://www.envirobeerBC.com">www.envirobeerBC.com</a>). A review of the website will take place in 2012.

## 4. Collection System Information

Consumers can redeem BDL containers at multiple locations, including:

- \* BC Liquor Distribution Branch stores;
- \* Licensee Retail Stores (163 LRS stores are under contractual agreement with BDL to accept unlimited returns and all LRS are required to provide full refund deposits);
- Private Bottle Depots (all depots are legally obligated to provide consumers with a full refund of deposits paid; BDL has arrangements with 84 private bottle depots);
- \* LDB authorized agency stores (businesses in smaller or remote communities that are authorized by the LDB to sell liquor with other goods);
- \* BDL also collects containers from licensed establishments (i.e. bars and restaurants).

BDL continues to enhance its contracted container return network. Seventy-eight percent of BC residents are within 2 km of a contracted return location. With respect to smaller communities and rural areas, BDL could not identify any communities in British Columbia without at least one BDL contracted return location within 15 km. This network of collection partners has doubled over the five-year stewardship plan period.

Table 1: BC Container Redemption Locations for Beer Containers

Return Locations	March 2007	March 2008	March 2009	March 2010	Dec 2010	Dec 2011	Change F07-2011	Percent Change
Private Bottle Depots	170	170	170	177	177	178	+8	4.7 %
Licensee Retail Stores	631	654	676	670	655	658	+ 27	4.3 %
Government Liquor Stores	201	199	197	197	197	210	+9	4.5 %
Rural Agency Stores	230	228	227	224	229	231	+ 1	0.4 %
Total	1232	1251	1270	1268	1258	1277	+ 45	3.7 %

## 5. Recovery Rates

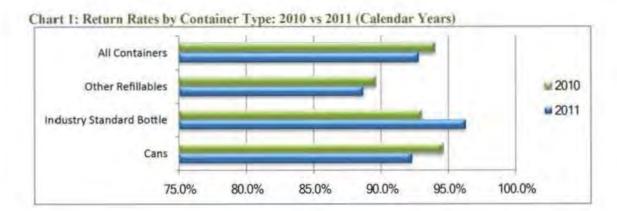
Table 2: BDL Container Recovery Rates: 20114

	Cans	Industry Standard Bottle (ISB)	Non-ISB Refillable Bottle	Total
Sales Dozens	39,143,599	8,124,640	2,489,517	49,757,756
Returns Dozens	36,122,573	7,824,478	2,208,548	46,155,599
Return Rates 2010	92.28 %	96.31 %	88.71 %	92.76 %

BDL return rates in all product categories exceeded the 85% performance target established under its 5-year plan and are well in excess of the 75% target mandated under *Environmental Management Act* regulations.

In 2011, BDL collected 554 million containers under its product stewardship program and its overall container return rate was 92.8%.

This is the fourth consecutive year that the overall return rate has exceeded 92%. Return rates for cans and non-ISB refillable bottles decreased slightly in 2011 dropping by 2.3% points and 0.9% points respectively. The return rate for ISB refillable bottles increased by 3.3% points in 2011.



<sup>&</sup>lt;sup>4</sup> Container data reviewed and tested by S.J. Yeung Chartered Accountant. Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch.

Table 3: Estimate of Unit Returns and Tonnes Diverted by Regional District5

Regional District		Aluminum	Glass	Total
Albami Clausquat	Units (000)	2,997	832	3,829
Alberni-Clayoquot	Tonnes	41	221	262
	Units (000)	3,461	961	4,423
Bulkley-Nechako	Tonnes	47	255	302
Comital	Units (000)	36,917	10,254	47,171
Capital	Tonnes	504	2,721	3,225
Cariboo	Units (000)	6,189	1,719	7,908
Cariboo	Tonnes	84	456	541
Central Coast	Units (000)	280	78	358
Central Coast	Tonnes	4	21	24
Control Vactoray	Units (000)	5,811	1,614	7,425
Central Kootenay	Tonnes	79	428	508
Central Okanagan	Units (000)	17,930	4,980	22,910
	Tonnes	245	1,321	1,566
Columbia-Shuswap	Units (000)	5,203	1,445	6,648
Columbia-Shuswap	Tonnes	71	383	454
Comox Valley	Units (000)	6,250	1,736	7,986
	Tonnes	85	461	546
Cowichan Valley	Units (000)	7,897	2,193	10,090
	Tonnes	108	582	690
Fact Vantauru	Units (000)	5,753	1,598	7,351
East Kootenay	Tonnes	79	424	502
Empron Valley	Units (000)	26,039	7,232	33,271
Fraser Valley	Tonnes	355	1,919	2,274
Property Comment	Units (000)	8,914	2,476	11,390
Fraser-Fort George	Tonnes	122	657	779
Vitimat Ctildan	Units (000)	3,499	972	4,471
Kitimat-Stikine	Tonnes	48	258	306
Vantanau Paumilaus	Units (000)	3,115	865	3,980
Kootenay Boundary	Tonnes	43	230	272
Water Consessed	Units (000)	227,572	63,208	290,780
Metro Vancouver	Tonnes	3,107	16,771	19,878
Manut Waddlants	Units (000)	1,095	304	1,399
Mount Waddington	Tonnes	15	81	96

Unit returns and tonnes diverted have been estimated from provincial totals based on Regional District populations and their proportion to the provincial total (source www.bcstats.gov.bc.ca). BDL does not compile sales or collection information by Regional District.

Table 3: Estimate of Unit Returns and Tonnes Diverted by Regional District

Regional District		Aluminum	Glass	Total
Namaima	Units (000)	14,835	4,121	18,956
Namaimo	Tonnes	203	1,093	1,296
Verst Observer	Units (000)	7,946	2,207	10,153
North Okanagan	Tonnes	108	586	694
Northern Rockies	Units (000)	530	147	678
Northern Rockies	Tonnes	7	39	46
Okanagan-	Units (000)	8,272	2,298	10,570
Similkameen	Tonnes	113	610	723
Dan an Dissan	Units (000)	5,562	1,545	7,107
Peace River	Tonnes	76	410	486
n	Units (000)	2,004	557	2,561
Powell River	Tonnes	27	148	175
Skeena-Queen	Units (000)	1,765	490	2,255
Charlotte	Tonnes	24	143	168
Communich I III and	Units (000)	3,750	1,042	4,792
Squamish-Lillooet	Tonnes	51	276	328
	Units (000)	102	28	130
Stikine Region	Tonnes	1	7	9
or d	Units (000)	4,216	1,171	5,387
Strathcona	Tonnes	58	311	368
	Units (000)	2,970	825	3,794
Sunshine Coast	Tonnes	41	219	259
The same all a	Units (000)	12,598	3,499	16,097
Thompson-Nicola	Tonnes	172	928	1,100
	Units (000)	433,471	120,396	553,867
Total	Tonnes	5,918	31,944	37,862

Based on a provincial population of 3.61 million people age 19 and over, the per capita return rate for the province was 153.4 BDL containers per person or about 13 cases<sup>6</sup> of beer.

The number of beer containers sold under the BDL plan declined by 1.3 % in 2011. Can container sales actually increased by 2% and sales in refillable bottles dropped by 12%. Consequently, BDL tonnage diversion totals declined in 2011, with glass diversion tonnage down over 3,000 tonnes or 9.3%.

<sup>6</sup> A case contains a dozen containers.

#### Other Packaging Materials:

In addition to managing the containers designated under its product stewardship plan, BDL also sells and collects beer kegs and collects and facilitates recycling with respect to a number of secondary packaging materials, including cardboard cases, can flats and plastic shrink wrap. This means that BDL has been operating consistent with the intent of Schedule 5 (an incoming Schedule under the *Recycling Regulation* covering printed paper and packaging) for decades prior to its enactment.

### BDL Keg Sales:

In 2011, BDL sold approximately 360,000 kegs, primarily to licensed establishments. Given the efficiencies of the closed loop system related to keg sales, return rates are extremely high for these containers with a return rate of 99.1% in 2011. The volume of beer represented by these kegs is equivalent to over 5.1 million cases of packaged beer. The volume of beer sold in kegs is equivalent to diversion of approximately 900 tonnes of aluminum or 16,900 tonnes of glass bottles.

#### Cardboard and other secondary packaging:

Estimates for 2011 indicate that BDL collected and diverted approximately 1,846 tonnes of cardboard. BDL is working on the development of a monitoring and reporting process that will enable the estimation of return rates related to these packaging streams and facilitate compliance with Schedule 5.

Total BDL landfill diversion equates to approximately 44,025 tonnes.

Table 4: BDL BC Landfill Diversion Summary

Material	Tonnes Diverted	
Aluminum <sup>7</sup>	5,918	
Glass <sup>8</sup>	31,994	
Cardboard	1,846	
Plastic	na	
Keg Packaging Equivalent <sup>9</sup>	4,267	
Total	44,025	

Aluminum tonnes diverted represents the weight of BDL shipments to aluminum processors.

B Glass tonnes diverted represents the weight of glass bottles shipped by BDL to brewers for refilling and reuse plus the weight of ISB bottles culled and sent to a glass recycling facility for recycling.

<sup>&</sup>lt;sup>9</sup> Keg equivalent packaging diversion based on the current package split for bottles and cans related to BC BDL beer sales.

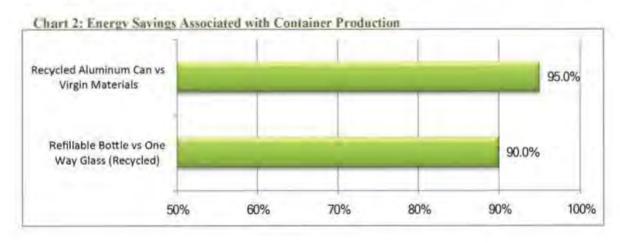
## Life Cycle Management

The BDL product stewardship system embodies several key elements of a successful life cycle management process. The system is fully funded by brewers and their consumers, as all costs associated with managing beer containers are incorporated into the price of the product. Extended producer responsibility ensures that brewers have incentives to manage containers and packaging as efficiently as possible.

BDL's closed loop transportation system minimizes transportation costs associated with retrieving empty containers from retailers. Return-to-retail collection, which is convenient for consumers, also encourages high return rates. Finally, brewers design their packaging, particularly for refillable bottles, to serve several functions over its lifecycle, making the overall product stewardship system very efficient.

BDL's distribution practices also support the use of refillable containers, such as kegs and glass bottles. Given that refillable beer bottles can be utilized an average of 15 times, the use of refillable beer bottles in British Columbia avoids the production of approximately 110 million glass bottles annually, diverting approximately 32,000 tonnes of glass containers. Reduced production requirements generate significant energy and pollution savings in comparison to the use of one-way glass containers (see below).

The Canadian brewing industry introduced further improvements in the use of refillable containers by adopting an industry standard bottle (ISB). The ISB is a leading example of design for the environment (DfE). The ISB reduces the cost of sorting empty containers, minimizes inventory storage requirements and improves production efficiencies by eliminating the need for brewers to perform costly packaging line changeovers (associated with different containers for different brands). At present, 13 British Columbia breweries are signatories to the Industry Standard Bottle Agreement and use the ISB bottle as their principal glass container.



Finally, BDL's product stewardship system generates exceptionally high return rates for recyclable containers. BDL's return rate for aluminum cans (which carry a deposit of 10 cents and which accounted for over 78% of beer containers in calendar year 2011) was 92.3% in 2011. This represents one of the highest return rates for aluminum cans in North America and a figure that is over 9 percentage points higher than typical return rates for soft drink cans in British Columbia (which carry a lesser deposit of 5 cents). Given the production of aluminum from recyclable materials uses 95% less energy than the production of aluminum from virgin materials, the BDL product stewardship system generates significant energy and pollution savings related to the collection and recycling of beer cans.

#### Pollution Prevention Hierarchy

Manufacturing aluminum from recycled materials reduces harmful atmospheric emissions, waterborne contaminants and solid waste in comparison to production from virgin materials. Similarly, the use of refillable glass bottles drastically reduces the amount of glass materials needed to sell a given amount of product. Studies sponsored by the Environmental Protection Agency (EPA) in the United States enable BDL to estimate the reduction of several pollutants associated with container recovery.

Table 5: Reduced Pollutants Associated with BDL Container Recovery 201110

	Nitrogen Oxides	Sulfur Oxides	Particulate Matter	Solid Waste
Reduced kg of pollutant per Tonne: Recycled versus Virgin Aluminum	31.4	91.3	31.7	4,297
Recycled BDL Aluminum 2010 Metric Tonnes	5,918	5,918	5,918	5,918
Tonnes Avoided Pollutants Cans	186	540	188	25,430
Pollutants (kg) Glass Production per Tonne	1.73	6.1	3.73	66.65
Diverted Glass Tonnes BDL Refillable Glass Bottles	31,994	31,994	31,994	31,994
Tonnes Avoided Pollutants Refillable Glass Bottles	55	195	119	2,132
Total Tonnes of Avoided Pollutants	241	735	307	27,562

Pollutant reductions associated with recycled versus virgin aluminum production and glass production from Weitz, Keith A. et al. 2003. Life-Cycle Inventory Data Sets for Materials Production of Aluminum, Glass, Paper, Plastic, and Steel in North America. Report prepared by RTI International for the U.S. EPA, Office of Research and Development. EPA-600/Q-03-001. Research Triangle Park, NC.

Table 5 provides examples of selected pollutant reductions associated with BDL's product stewardship system. Nitrogen oxide contributes to ground level ozone, acid rain, nutrient overload and global warming and combines with other chemicals to contribute to respiratory problems. Sulfur oxides also contribute to respiratory problems and acid rain. Particulate matter contains microscope solids and liquids that contribute to a variety of health problems such as lung disease and chronic bronchitis.

According to the EPA study, recycling aluminum results in significant reductions in atmospheric emissions. Nitrogen oxides, sulfur oxides and particulate matter emissions are reduced by over 60%, 90% and 95% respectively when aluminum is made from recycled materials. For 2010, total reductions in emissions of nitrogen oxides, sulfur oxides and particulate matter from aluminum recycling and the use of refillable bottles in BC are estimated at 241, 735 and 307 metric tonnes, respectively.

In addition to reductions in atmospheric emissions, BDL container management also generates significant solid waste reductions associated with material production. Aluminum cans are light, but making aluminum from virgin material creates solid waste that is four and half times heavier than the aluminum itself. There were 27,562 less metric tonnes of solid waste generated in 2011 related to aluminum recycling and the use of refillable glass bottles. This reduced tonnage is in addition to the 44,025 tonnes of packaging materials diverted from provincial landfills in 2011 as a result of BDL's product stewardship system.

When these totals are combined, BDL's product stewardship program reduces solid waste production by approximately 71,587 tonnes annually - equivalent to \$7.7 million in Vancouver tipping fees.<sup>11</sup>

Although not reported in Table 5, recycling aluminum also generates significant reductions in waterborne waste. Production of heavy metals, such as cadmium and mercury, are reduced by more than 99% when aluminum is manufactured from recycled materials.

#### Green House Gas Reductions and Energy Savings

Every can and refillable glass bottle returned by beer consumers contributes to energy savings and reduced greenhouse gas emissions.

Manufacturing aluminum from recycled materials, such as recovered beer cans, generates enormous energy savings, as processing aluminum from bauxite is an energy-intensive process. Similarly, reusing a glass beer bottle 15 times eliminates the need to produce a new bottle for every beer sold, thereby eliminating the raw material processing and energy requirements associated with making new glass.

<sup>11</sup> Based on a Vancouver 2011 tipping fee of \$107 per tome for waste disposal.

The 69,326 metric tonnes of greenhouse gases avoided annually through the use of can recycling and glass bottle reuse is equivalent to pulling about 13,600 cars off of B.C. roads and highways<sup>12</sup> or equivalent to the energy contained in 161,223 barrels of oil worth approximately \$15 million at 2011 prices for crude oil.<sup>13</sup>

Table 6: Energy and Greenhouse Gas Savings BDL Container Recovery 201014

	Glass Reuse	Aluminum Recycling	Total	
Tonnes Diverted	31,994	5,918	37,912	
Avoided GHG Emissions (MTCO2E)	12,158	57,168	69,326	
Avoided Energy (Gigajoules)	217,559	516,996	734,555	

#### 7. Fee Information

Costs related to BDL's container collection system are managed by the British Columbia Brewers' Recycled Container Collection Council, which operates the program on a cost recovery basis.

#### Refillable bottles

In the case of refillable bottles, the Council establishes rates for the collection, sorting and return of containers based on projected and audited costs. Costs associated with cleaning and reusing refillable bottles are borne by the manufacturer. In the case of refillable bottles, manufacturers retain unredeemed deposits and use these funds to offset container costs.

<sup>&</sup>lt;sup>12</sup> See U.S. EPA Greenhouse Gas Equivalencies Calculator at <a href="http://www.epa.gov/cleanenergy/energy-resources/calculator.html#results">http://www.epa.gov/cleanenergy/energy-resources/calculator.html#results</a>. Vehicle equivalency calculation based on the assumption that the average car emits approximately 5.1 tonnes of GHG emissions per year.

<sup>&</sup>lt;sup>13</sup> Based on a June 2011 crude oil price per barrel of \$93.40.

<sup>&</sup>lt;sup>14</sup> Source for avoided energy and emission multipliers: Determination of the Impact of Waste Management activities on Greenhouse Gas Emissions: 2005 Update Final Report, ICF Consulting for Environment Canada & Natural Resources Canada, October 2005 and GHG Calculator for Waste Management, Update Oct 2009, ICF Consulting for Environment Canada. Multipliers for avoided GHG Emissions (eCO2/tonne) used were 0.38 for glass reuse and 9.66 for aluminum recycling. Avoided energy multipliers used (Gigajoules/tonne) were 6.8 for glass reuse and 87.36 for aluminum recycling. Avoided GHGs from glass bottle reuse (0.38) is not presented in the Determination of the Impact of Waste Management Activities on Greenhouse Gas Emissions: 2005 Update Final Report. This multiplier was provided in the previous version of the report from 2004.

#### Recycled Cans

In the case of recycled cans, an internalized container recycling fee is established by the Council and applied to the product's wholesale price set by the Liquor Distribution Branch. In 2010, this fee was set at \$0.02 per can. The Council retains unredeemed deposits with respect to can sales and retains revenues from aluminum material sales to offset, administration, transportation, collection and sorting fees and infrastructure costs.

BDL, as the agent of the Council, pays return location partners for the collection, sorting and return of BDL containers. In the case of the Liquor Distribution Branch, BDL has entered into a 5-year agreement with the agency to pay the LDB fees for each container collected from its stores. Licensee retail stores that sign up as a collection partner that will accept unlimited customer returns are also paid a fee for each container collected. BDL has also entered into service agreements with several private bottle depots for collection and sorting services.

Table 7: BDL Deposit Summary 201115

	Cans	Industry Standard Bottle (ISB)	Non-ISB Refillable Bottle <sup>16</sup>	Total
Deposits Received	\$46,972,319	\$9,749,568	\$2,987,420	\$59,709,307
Refunds Paid	\$43,347,088	\$9,389,374	\$2,650,258	\$56,863,271
Return Rates 2010	92.3 %	96.3 %	88.7 %	92.8 %

Deposit amounts reported in Table 7 are audited annually by S.J. Yeung Chartered Accountant. The Council contingency fund to ensure stable financing with respect to management of can containers was \$3 million as of March 31, 2011 and is projected to meet its target goal of \$4 million in 2012.

18 Deposit amounts audited by S.J. Yeung Chartered Accountant, Calgary, Alberta,

<sup>&</sup>lt;sup>16</sup> Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch.

## 8. Performance Targets

Table 6: Performance Target Summary

Stewardship Plan Target 2010	Results		
1. Maintain 85 % return rate in each container category.	Target Exceeded:  Recovery Rates 2011:  92.8% overall  92.3 % Cans  94.5 % Refillable Glass  Bottles		
2. Increase the number of collection partners BDL has arrangements with. Target 275 by 2011 and 347 by F2014	Target Partially Achieved:  • 247 collection partners that accept unlimited customer returns as of December 31, 2011		

## 3. Improve Consumer Awareness through various initiatives:

- Monitoring of consumer feedback re: deposit return locations;
  - Maintain 85% consumer awareness levels;
- On-going advertising in community/industry recycling publications;
- Continuing partnerships with community groups, NGOs on awareness initiatives.

#### Target Achieved:

- Polling indicates 98% of consumers aware of beer container deposits;
- All collection partners receive POS materials;
- Sponsorship of RCBC Annual Conference, consumer information hotline and Recyclepedia.
- Promotion through stakeholder websites

4. Benchmark BDL collection of secondary packaging materials

#### Target Partially Achieved:

 Portion of secondary packaging recycled through warehouse operations accounted for, estimate for packaging recycled through other means

#### Appendix A

#### Domestic Brewers (Refillable Bottles)

B			

**Big Rock Brewery Limited** 

**Brick Brewing Company** 

Chilkoot Brewing Co. Ltd (Yukon)

Dead Frog Brewery

**Fireweed Brewing Corporation** 

**Garrison Brewing Company** 

Granville Island Brewing Co.

Limited

**Great Western Brewing Company** 

Ltd.

Labatt Brewing Company Ltd.

Mark Anthony Group

McAuslan Brewing

**Molson Coors Canada** 

Moosehead Breweries Ltd

Nelson Brewing Co.

Okanagan Spring Brewery Ltd.

Pacific Western Brewing Co. Ltd.

Phillips Brewing Co.

Plan B Brewing Co.

Russell Brewing Company Ltd.

Sleeman Brewing Co.

The John Allen Brewing Co. Ltd.

Vancouver Island Brewing Co.

Vincor International

Yukon Brewing

Import and Domestic Suppliers (Cans)

Agent/Brewer
Amador Importers
Atlas Wine Merchants
Big Rock Brewery Limited
Bowen Island Brewing
Bruce Ashley Group
Calibrium International Limited
Cannery Brewing
Carlsberg Canada Inc.
Central City Brewing Company Limited
Charton-Hobbs Inc.
Culin Importers Ltd.
Diageo Canada Inc. (Dorval)
Diamond Estates Wines & Spirits B.C.
Fernie Brewing Company Limited
Fireweed Brewing Corporation
Granville Island Brewing Co. Limited
Great Western Brewing Company Ltd
Hell's Gate Brewing
Hi-Bridge Consulting Group
Independent Distillers (Canada) Limited
Innovative Commodity Imports Limited
Labatt Brewing Company Ltd.
Lighthouse Brewing Co. Ltd.
Lmp Wines Inc.
Lothar Heinrich Agencies Ltd.
M.J.S. Beverage Concepts Int'l

#### Brewers Distributor Ltd.

## 2011 BC Product Stewardship Annual Report

Mark Anthony Group Inc.

McClelland Premium Imports Inc.

Meagher's Distillery (B.C.) Ltd.

Molson Coors Canada

Moosehead Breweries Ltd.

Nelson Brewing Co.

Northam Brewery

Okanagan Spring Brewery Ltd.

Pacific Western Brewing Co. Ltd.

**Premier Brands Limited** 

Premium Beer Company Inc.

Russell Brewing Company Ltd.

**Sebucom International Corporation** 

Sleeman Brewing Co.

Sunny Star Import Export Limited

The Barley Mill

The Cannery Brewing Company

The Kirkwood Group

United Distributors Of Canada

Vancouver Island Brewing Co.

Whitehall Agencies Ltd.

S.T. Yeung\*
Chartered Accountant

#301, 901 Centre Street N.W. Calgary, Alberta T2E 2P6 Ph: (403) 234-9094 Fax: (403) 233-2661

May 11, 2012

To: Brewers Distributor Ltd.

As specifically agreed, we have performed test procedures at Brewers Distributor Ltd. in ("the Agency") as described in this letter for the year ended December 31, 2011 over certain non-financial information related to:

- BC Reg449/2004, Section 8(2)(b) the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report;
  - BC Reg449/2004, Section 8(2)(d) a description of how the recovered product was managed in accordance with the pollution prevention hierarchy; and,
  - BC Reg449/2004, Section 8(2)(e) the total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate.

The results of applying the procedures are detailed in the attached Appendix. These procedures do not constitute an audit of the Agency's non-financial information and therefore, we express no opinion on the overall accuracy or completeness of the non-financial information of the Agency for the year ended December 31, 2011.

This letter is for use solely by Brewers Distributor Ltd. in connection with their consideration of the accuracy and completeness of certain non-financial information as reported by Brewers Distributor Ltd. for the year ended December 31, 2011.

S.T. Yeung Professional Corporation Chartered Accountants 301 – 901 Centre Street NW Calgary, Alberta



Bryan Cox Vice President West Canada Canada's National Brewers 1106 – 750 West Pender St Vancouver, BC V6C 2T8

February 16, 2012

Dear Mr. Cox,

As per the Beverage Container Stewardship Program Regulations, the following is Brewers' Distributor Ltd. annual report detailing the effectiveness of our stewardship plan during the period of January 1, 2011 to December 31, 2011. Note that this information is commercially confidential, and is for review only by the Ministry of the Environment, Lands and Parks.

 a) The recovery rate, by regional district and container type, expressed as a percentage and independently audited.

Recovery rates are given in the following table.

Container Type	Sales Dozens	Returns Dozens	Recovery Rate
Cans	39,143,599	36,122,573	92.28%
Industry Standard Bottles	8,124,640	7,824,478	96.31%
Non Standard Bottles (Refillable)	2,489,517	2,208,548	88.71%

Sales for the Non-Industry Standard Bottle (Refillable) have been provided by British Columbia Liquor Distribution Branch.

b) Annual financial statements, prepared by an independent audit, of all deposits received and refunds paid by the brand owners covered under the plan.

Deposits received and refunds paid can be reasonably estimated by multiplying sales in dozens by \$1.20, and returns in dozens by \$1.20:

Container Type	Deposits Received	Refunds Paid
Cans	\$46,972,319	\$43,347,088
Industry Standard Bottles	\$9,749,568	\$9,389,374
Non Standard Bottles (Refillable)	\$2,987,420	\$2,650,258

### c) The percentage of containers that were refilled or recycled after the collection and, if recycled, how utilized.

The vast majority of bottles are refilled. However, a small percentage of these bottles are culled out because they are unsuitable for refilling. On average, each bottle is refilled 15 times. The culled glass is sent to a glass facility for destruction and subsequent use in the remanufacture of bottles and various other uses.

All the cans recovered are crushed into biscuits and shipped to an aluminum recycler.

Container Type	Dozens	Weight (in lbs)	Weight (in tons)
Cans shipped to Aluminum Recycler	35,335,508	13,046,956	5,918
Industry Standard Bottles Sent back to Brewer and Refilled	7,824,478	54,771,347	24,844
Non Standard Refillable Bottles Sent back to Brewer and Refilled	2,208,548	15,459,836	7,012
Industry Standard Bottles Sent for Destruction	43,309	303,163	138

#### d) The number of return locations.

Return Location Type	2011	
Depots	178	
Licensee Retail Stores	658	
Government Liquor Stores	210	
Rural Agency Stores	231	
TOTAL	1,277	

#### e) The number of Stewardship locations.

Return Location Type	2011
Depots	39
Licensee Retail Stores	163
TOTAL	202

f) How much of the stewardship plan has been implemented during the previous calendar year, what has not been implemented, and why it has not been implemented.

Our stewardship plan is fully implemented.

Yours Sincerely,

Eldon Moston,

**BDL** Inventory Manager

(403)531-1083

cc: Mike Allen, Derek Drummond-Young, Jeff Newton

For the following procedures, test samples were selected from the December 31, 2011, unless otherwise noted:

Non-Financial Information Requirements: BC Reg449/2004, Section 8 (2) (b) - the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report:

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
1.1	To obtain comfort over the existence and accuracy of the collection	<ol> <li>For the period under review, obtain a listing of all Collection Facilities from the Agency broken out by type (if applicable).</li> </ol>	No exception
facilities reported in the Agency's annual report	in the Agency's	2 Compare total count of collection facilities from the listing with the latest stewardship annual report; investigate any discrepancies with the Agency as applicable.	No exception
		3 Randomly select a sample of Collection Facilities and obtain the business file for each. Review each file to determine that an operating agreement exists.	No exception
		4 Using contact information on the Facility listing provided in #1 above, phone each randomly selected Collection Facility to verify their existence.	No exception

## BCReg449-2004, Section8(2)(b)

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
1.2	To obtain comfort over the completeness, consistency, and	Obtain the historical data for the total number of collection facilities for the past 3 years as reported by the Agency in their annual reports	No exception
	validity of the number of Collection Facilities.	Investigate any fluctuations greater than 5% to understand the reason for the fluctuation in the number of collection facilities.	No exception

Non-Financial Information Requirements: BC Reg449/2004, Section 8 (2) (d) - A description of how the recovered product was managed in accordance with the pollution prevention hierarchy

Testing Procedure#	Objective and Purpose	Testing Procedures	Results
well as subst	eps 1-3 in test 2.2 should	c, are subject to audit around their product management practice I be completed. Where Processors/Manufacturers etc are not sub Id be completed in its entirety.]	
2.1	To obtain comfort over the effective weight of end-use product collected and the accuracy of the manufacturer's receipt of weight of product.	<ol> <li>Where available, obtain the 3rd party auditors opinion over registered processors/manufacturers compliance with waste management or program specific guidelines for managing product appropriately.</li> <li>Ensure the auditor's opinion is unqualified.</li> </ol>	n/a n/a
2.2	To obtain comfort over the accuracy, completeness and existence of end-use of the product collected and the accuracy of the manufacturer's or processor's receipt of weight of product, test on a sample basis the deliveries of product recovered to their	1 Obtain a schedule/listing of products shipped to processors/manufacturer for the period under review. The listing should provide:  a. The processor/manufacturer name/address.  b. The total weight of the product weighted at the collection site of consolidation site (where applicable).  c. The total weight of the product weighted at the processor/manufacturer.  d. The date of delivery to the processor/manufacturer.	No exception
	end-use (or next	2 Obtain a listing of all registered processors/manufacturers.	No exception

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
	along the custody chain).	3 Scan listing to ensure that all receivers of product were approved processors/manufacturers. If there is not a listing of approved manufacturers/processors, ensure that the manufacturer is not a related party to the processor by researching the related parties of each organization and ensuring that the transaction was made at arm's length.	No exception
		4 Randomly select shipments and obtain a copy of the invoice or other supporting documentation.	No exception
		5 Verify that each Invoice or other suppporting document has evidence of the weight of the product shipped by the Processor and received by the customer.	No exception
		6 Compare the total weight listed on the Invoice of other supporting documentation with the weight listed on the detailed listing received in #1 and note any discrepancies.	No exception

Non-Financial Information Requirements: BC Reg449/2004, Section 8 (2) (e) - The total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
	y audits the Agency's sc ps 3.2 through 3.4]	hedule of product collected (recovery rate), complete only step 3.1; If no	audit is performed,
	To ensure that there were no qualifications	Obtain the Auditor's Opinion over the Schedule of Product     Recovered for the most recent fiscal year.	n/a
	within the auditor's opinion over the	2 Review the opinion to ensure that there are no qualifications.	n/a
	schedule of product recovered.	3 Check the mathematical accuracy of the calculated recovery rate (where applicable), as reported in the audited financial statements.	n/a
		4 Compare calculated recovery rate to the recovery rate reported by the agency in their annual audited report. Note any discrepancies.	n/a
3.2	To ensure the accuracy and	1 Obtain the Schedule of Product Sold for the period under review.	No exception
	completeness of total product	2 Obtain a listing of all registered processors/manufacturers.	No exception
	sold.	3 Confirm with processors/maunfacturers with actual sales.	No exception
		4 Compare actual sales to the Schedule of Products Sold. Note any discrepancies.	No exception

## BCReg449-2004, Section8(2)(e)

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
3.3	To obtain comfort over completeness, accuracy, cutoff and validity of the	1 Obtain a listing of product shipments (for each product the Agency manages) from collection facilities for the period under review.	No exception
	total product recovered.	2 Compare the total weight of product collected from the listing to the report total of product recovered from the Schedule of Product Recovered.	No exception
		3 Verify Agency mathematical accuracy of the calculation that the total product (in units/weight etc.) listed on the supporting document matches the total listed on the listing. Note any discrepancies.	No exception
3.4	To obtain comfort over the calculated recovery rate by product type (where applicable).	1 Check the mathematical accuracy of the calculated recovery rate (where applicable) by dividing product recovered by product sold, as reported by Agency. Note any discrepancies.	No exception



June 20, 2012

#### To: Ministry of Environment

As specifically agreed, we have performed test procedures enumerated below at Encorp Pacific (Canada) ("Encorp" or "the Agency") as described in this letter for the year ended December 31, 2011, over certain non-financial information related to the following:

- BC Reg449/2004, Section 8 (2) (b) the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report;
- 2. BC Reg449/2004, Section 8 (2) (d) a description of how the recovered product was managed in accordance with the pollution prevention hierarchy; and,
- BC Reg449/2004, Section 8 (2) (e) the total amount of the producer's product sold and collected
  and, if applicable, the producer's recovery rate.

The results of applying the procedures are detailed in the attached Appendix. These procedures do not constitute an audit of Encorp's non-financial information as at and for the year ended December 31, 2011 and, accordingly, we express no opinion on the overall accuracy or completeness of that information.

This report is intended solely for the information of the British Columbia Ministry of Environment in connection with their consideration of the accuracy and completeness of certain non-financial information as reported by Encorp for the year ended December 31, 2011. Consequently, the report should not be distributed to other parties without our prior written consent. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third party. We accept no responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

Pricewaterhouse Coopers UP

**Chartered Accountants** 



## **Appendix**

For the following procedures, test samples were selected from the 2011 calendar year, unless otherwise noted.

Non-Financial Information Requirement: BC Reg449/2004, Section 8 (2) (b) - the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report;

Testing Procedure #	Objective and Purpose	<b>Testing Procedures</b>	Results
1.1	To obtain comfort over the existence and accuracy of the collection facilities reported in the Agency's annual report.	For the period under review, obtain a listing of all collection facilities from the Agency broken out by type.	We received a listing of collection facilities (depots) from Encorp's Assistant Controller. The listing specified 172 beverage container collection facilities.
		<ol> <li>Compare total count of collection facilities from the listing with the annual report; investigate any discrepancies with the Agency as applicable.</li> </ol>	<ol> <li>We compared the total count of depots from the listing with the annual report and noted that the listing generated and the 2011 annual report both stated 172 depots.</li> </ol>
		<ul> <li>3. Select a sample of collection facilities and obtain the business file for each. Review each file to determine that a registration form meets the following criteria:</li> <li>a. A registration form exists for the collection facility.</li> <li>b. The registration form lists contact information and location, which agrees with the detailed listing.</li> <li>c. The registration form is signed by the collection facility.</li> </ul>	<ul> <li>3. We selected a sample of 25 depots from the listing and performed the following:</li> <li>a. Obtained the depot registration form (contract form) for each sample selected.</li> <li>b. Agreed the contact information and location on the registration form to the detailed listing. On 3 of the sampled forms the address per the form differed from the detailed listing. Per discussion with management the depots had moved during the year. We examined the change of address forms created in each case. No differences were noted.</li> </ul>



# Appendix

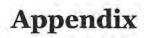
Testing Procedure #	Objective and Purpose	Testing Procedures	Results
			c. Examined the forms for signatures from both the depot and Encorp. No missing signatures were noted.
		4. Using contact information on the facility listing provided in #3b above, phone each selected collection facility to verify their existence and that they have an adequate understanding of the program.	4. We phoned each of the selected depots to verify their existence. Each contact was asked a basic question regarding the recycling program and the types of materials they recycled. All contacts provided information which were consistent with our understanding of the program.
1.2	To obtain comfort over the completeness, consistency, and validity of the number of collection facilities.	5. Obtain the historical data for the total number of collection facilities for the past three years as reported by the Agency in their annual reports.	5. We obtained Encorp's annual reports from the website of the Ministry of Environment for 2001 to 2010. The number of depots for 2011 was agreed to the detailed listing tested in procedure 1.1.
		6. Investigate any fluctuations greater than 5% to understand the reason for the fluctuation in the number of collection facilities.	6. We calculated fluctuations from year to year in the number of depots for the years from 2008 to 2011. No changes to the number of depots greater than 5% were noted.



Non-Financial Information Requirement: BC Reg449/2004, Section 8 (2)(d) - A description of how the recovered product was managed in accordance with the pollution prevention hierarchy

Testing Procedure #	Objective and Purpose	Testing Procedures	Results	
Step 2.1 as well	as sub-steps 1 - 3 in tes	are subject to audit around their prod at 2.2 should be completed. Where Proc , but Test 2.2 should be completed in its	essors/Manufacturers etc. are no	
2.1	To obtain comfort over the effective weight¹ of end-use product collected and the accuracy of the manufacturer's receipt of weight of product.	<ol> <li>Where available, obtain the third party auditor's opinion over registered processors/manufacturers compliance with waste management or program specific guidelines for managing product appropriately.</li> <li>Ensure the auditor's opinion is unqualified.</li> <li>Perform steps 1 through 3 from Testing Procedure 2.2 below and report any discrepancies.</li> </ol>	There are no third party audit opinions available over processors and/or manufacturers.	
2.2	To obtain comfort over the accuracy, completeness and existence of end-use of the product collected and the accuracy of the manufacturer's or processor's receipt of weight of product, test on a sample basis the deliveries of product recovered to their end-use (or next along the custody chain).	<ol> <li>Obtain a schedule/listing of products shipped to processors/manufacturer for the period under review. The listing should provide:         <ol> <li>The processor/manufacturer name/address.</li> <li>The total weight of the product weighed at the collection site or consolidation site (where applicable).</li> <li>The total weight of the product weighed at the applicable).</li> </ol> </li> </ol>	<ol> <li>We obtained listings of product shipped for the period under review.</li> <li>These listings provide the processor name. We cross referenced the processor by address to the detailed listing of processors described in #2 below.</li> <li>The listings provide the total weight shipped to the processors as weighed at the collection site.</li> </ol>	

<sup>&</sup>lt;sup>1</sup> The term "weight" includes "volume" or "quantity," with respect to the type of product managed by the Agency.





Testing Procedure #	Objective and Purpose	<b>Testing Procedures</b>	Results		
		processor/manufacturer. d. The date of delivery to the processor/manufacturer.	c. The listings do not contain the amount weighed at the processor. The weight at the processor was obtained through the testing performed in # 4, 5 and 6 below.  d. The listings contain the date of delivery.		
		Obtain a listing of all registered processors/ manufacturers.	We obtained a listing of all processors used for the period under review.		
		3. Scan listing to ensure that all receivers of product were approved processors/ manufacturers. If there is not a listing of approved manufacturers/processors, ensure that the manufacturer is not a related party to the processor by researching the related parties of each organization and ensuring that the transaction was made at arm's length.	3. We were not provided with a listing of approved manufacturer/processors. We confirmed through inquiry with the Controller that no processors used are related to Encorp. We performed an online search of each processor and noted no indication that they are related to Encorp.		
		4. Select a sample of shipments and obtain a copy of the invoice or other supporting documentation.	4. We selected a sample of 25 shipments and obtained a copy of the invoice or movement authorization form (MA).		
		<ol> <li>Verify that each invoice or other supporting document has evidence of the weight of the product shipped by the processor and received by the customer.</li> </ol>	5. We verified for each invoice selected in procedure 2.2.4 that each invoice or MA has evidence of the weight of the product shipped by the depot and received by the processor. We also verified that each document is signed by 2 of the depot,		



Testing Procedure #	Objective and Purpose	<b>Testing Procedures</b>	Results
			transporter and processor.
		6. Compare the total weight listed on the invoice or other supporting documentation with the weight listed on the detailed listing received in #1 and note any discrepancies.	6. We compared the total weight listed on the invoice or MA with the weight listed on the detailed listings received in procedure 2.2.1 above and noted no discrepancies.



Non-Financial Information Requirement: BC Reg449/2004, Section 8 (2)(e) - The total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate.

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
	audits the Agency's sc ned, complete steps 3.2	hedule of product collected (recovery re through 3.4]	ate), complete only step 3.1; If no
3.1	To ensure that there were no qualifications within the auditor's opinion over the schedule of product recovered.	Obtain the Auditor's Opinion over the Schedule of Product Recovered for the most recent fiscal year.	1. PwC performed the 2011 audit and provided the Auditor's report over the Schedule of Deposits Received and Refunds Paid for the year ended December 31, 2011.
		Review the opinion to ensure that there are no qualifications.	2. We noted that the auditors report dated May 14, 2012, completed by PwC contained no qualifications.
		3. Check the mathematical accuracy of the calculated recovery rate (where applicable), as reported in the audited financial statements.	3. We reperformed the calculation of the recovery rate as stated in the Schedule of Deposits Received and Refunds Paid for the year ended December 31, 2011. The recovery rates were calculated accurately.
		4. Compare calculated recovery rate to the recovery rate reported by the agency in their annual audited report. Note any discrepancies.	4. The recovery rate of 79.8% per the Annual Report is based on units collected and recycled divided by units sold. The recalculated amount agreed to the recovery rate of 79.8% per the Schedule of Deposits and Refunds Paid.



Testing Procedure #	Objective and Purpose	<b>Testing Procedures</b>	Results			
3.2	To ensure the accuracy and completeness of total product sold.	Note that the financial statements, in the case of most agencies, include revenues from eco-fees, which are tied to the total product sales.  1. Obtain the Financial Statement Auditor's Opinion for the most recent fiscal year.  2. Review the opinion to ensure that there are no qualifications.  3. Obtain a schedule of eco-fees by product type from the agency (in total and by unit).  4. Compare the total eco-fees collected from the above schedule to the total reported in the Agency's financial statements (as opined by the financial statement auditor).  5. Recalculate the product sold by unit by dividing the total fees by product type by the per unit fee to arrive at total product sold for each unit.  6. Compare calculated total product sold to the amounts reported by the Agency in their annual report. Note any discrepancies.	N/A. We obtained the audited Schedule of Deposits Received and Refunds Paid as noted in procedure #3.1 above. The auditopinion was unqualified therefore this procedure does not apply to this agency.			



To obtain comfort over the completeness and accuracy of the total product recovered.  To obtain comfort over the cut-off and validity of the total product recovered.	<ol> <li>Obtain a listing of product shipments (for each product the Agency manages) from collection facilities for the period under review with the following details:         <ol> <li>The depot name/address.</li> <li>The date of collection from the facility.</li> <li>The consolidation site or processor to which the product was delivered.</li> <li>The date of delivery to the consolidation site or processor.</li> <li>The amount of product collected (in units and in weight, where applicable).</li> </ol> </li> <li>Compare the total weight of product collected from the detailed listing to the report total of product recovered from the Agency's annual report.</li> <li>Scan the detailed listing to ensure that there were no collections that were outside of the organization's fiscal year.</li> </ol>	N/A. We obtained the audited Schedule of Deposits Received and Refunds Paid as noted in procedure #3.1 above. The audit opinion was unqualified therefore this procedure does not apply to this agency.
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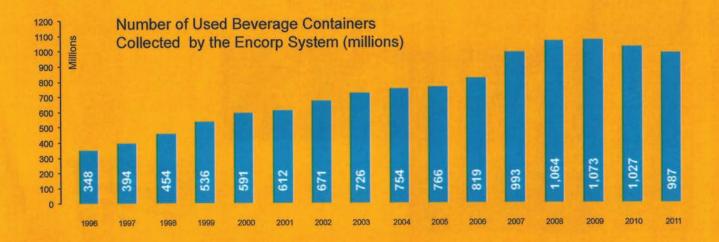
		<ol> <li>Select a sample of shipments and obtain the supporting document (Bill of Lading or other support) to verify the amount of product shipped.</li> <li>Verify that each of the supporting documents received has appropriate evidence of the total product shipped and weight of product received by the consolidation site supported by a scale ticket or like support, and signatures by the collection facility, consolidation site and hauler/transporter.</li> <li>Confirm that the total product (in units/weight etc.) listed on the supporting document matches the total listed on the detailed listing.</li> </ol>	
3.4	To obtain comfort over the calculated recovery rate, by product type (where applicable).	<ol> <li>Check the mathematical accuracy of the calculated recovery rate (where applicable) by dividing product recovered by product sold, as reported in the audited financial statements.</li> <li>Compare calculated recovery rate to the recovery rate reported by the Agency in their annual report. Note any discrepancies.</li> </ol>	N/A. We obtained the audited Schedule of Deposits Received and Refunds Paid as noted in procedure #3.1 above. The audit opinion was unqualified therefore this procedure does not apply to this agency.



# Recycling by the Numbers

In 2011, Encorp Pacific (Canada) recovered just under one billion containers and continued to demonstrate why we are one of the most effective industry product stewardship corporations in North America.

987
Millions Containers Collected
79.8%
Recovery rate



Туре	Containers Sold			Containers Recovered		% Recovery		Metric Tonnes of Material Recycled		Recovery Rate by Weight	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	
Aluminum	430,987,552	437,430,646	361,675,086	365,461,828	83.9%	83.5%	5,096	5,131		M	
Plastic≤ 1L	368,331,888	369,292,651	269,691,474	281,903,999	73.2%	76.3%	5,812	7,035			
Plastic > 1L	66,029,546	68,772,192	58,058,049	60,396,885	87.9%	87.8%	4,081	4,460			
Glass ≤ 1L	29,506,414	35,919,952	23,833,807	28,364,800	80.8%	79.0%	7,009	8,602			
Glass > 1L	147,396	160,136	171,979	164,823	116.7%	102.9%	180	163			
Bi-Metal ≤ 1L	3,211,863	3,286,487	2,340,382	2,289,901	72.9%	69.7%	122	107			
Bi-Metal > 1L	862,953	949,211	459,214	500,264	53.2%	52.7%	67	72			
Pouches	8,616,083	13,424,429	4,345,312	6,061,228	50.4%	45.2%	26	36			
Drink Box ≤ 500ML	93,509,617	96,107,029	51,073,805	52,916,025	54.6%	55.1%	540	559			
Drink Box 501 ML - 1L	22,721,342	25,726,235	17,264,153	18,929,689	76.0%	73.6%	724	795			
Gable Top ≤ 500ML	996,731	1,549,829	295,354	408,024	29.6%	26.3%	4	6			
Gable Top 501 ML - 1L	879,828	928,206	268,785	270,642	30.5%	29.2%	9	15			
Gable Top > 1L	12,201,353	12,351,720	8,621,796	9,442,391	70.7%	76.4%	676	756			
NRBC ≤ 1L	96,948,756	108,792,080	96,803,996	107,737,117	99.9%	99.0%	21,401	25,832			
NRBC > 1L	462,419	575,957	429,743	474,878	92.9%	82.5%	233	256			
W & S ≤ 1L	73,022,080	72,838,434	67,473,957	67,212,566	92.4%	92.3%	33,942	35,195			
W & S > 1L	11,458,982	11,650,801	10,552,800	10,596,539	92.1%	91.0%	7,927	7,812			
W & S Plastic ≤ 1L	10,749,166	11,512,727	8,989,360	9,238,612	83.6%	80.2%	355	421			
W & S Plastic > 1L	3,982,110	3,812,338	3,678,719	3,659,399	92.4%	96.0%	307	266			
Bag-in-Box - Alcohol	2,556,327	2,425,280	1,158,754	1,075,712	45.3%	44.4%	275	248			
Totals	1,237,182,406	1,277,506,339	987,186,525	1,027,105,322	79.8%	80.4%	88,788	97,767	89.3%	88.5%	



# Message from the Chair

In the past, Encorp Pacific (Canada) would have considered 2011 to have been a completely satisfying year. Overall recovery performance was an enviable 79.8%. Financial reserves stabilized at planned levels following measures implemented in 2010 to combat the effects of the global recession. Throughout, customer satisfaction remained high and the overall caliber of our depots continued to improve. These accomplishments are a credit to management, staff and our depot operators and they deserve to be recognized.

Still, we could not help but be preoccupied with external developments taking place in the realm of product stewardship both in British Columbia and across Canada. Among other things, the provincial government's addition of packaging and printed paper to Schedule 5 of the Recycling Regulation portends the most ambitious stewardship program yet undertaken, and could well have a significant impact on Encorp's operations in the future. The big question heading into 2012 was what kind of impact, and what changes – if any – would it have on our business, the business of our brand owners and the business of our depots?

In addition to packaging and printed paper, British Columbia is aggressively expanding stewardship obligations in other product categories. It is anticipated that the province will have mandated some twenty discrete programs by mid-2012. The

sheer number and breadth of these programs puts considerable stress upon industry and government, and will test the province's unique approach to stewardship regulation. This approach has served British Columbians well as far as existing programs are concerned, but it may challenge the newer, smaller programs, many of which have less familiarity with government expectations.

In October, while in the midst of these deliberations, the Ministry of Environment initiated a review of 'prescriptive measures' in the beverage container stewardship program regulation, asking in particular whether existing deposit levels were appropriate, whether existing return-to-retail options were appropriate, and whether existing prohibitions against energy from waste as a disposal option for certain materials were appropriate. The timing of the review struck us as peculiar given all of the activity that is currently underway in other areas of product stewardship. We await the Ministry's conclusions and follow-up on this review.

With all of this in mind, the Board of Directors focused its attention in 2011 on mid and longer-term strategic issues as it is becoming increasingly clear that the business model under which we have operated for the past seventeen years is bound to undergo some measure of change. Again, the big question is 'how' and to what degree?

In contemplating these changes, the Board has identified the following key priorities for Encorp in the year(s) ahead:

- To optimize the depot infrastructure and support increased productivity at our Return-It<sup>™</sup> depots, which continue to be our strongest and most important assets.
- To expand the collection infrastructure in densely-populated, hard to access areas of the province, particularly within the City of Vancouver.
- To continue to show leadership in the application of and support for the Industry Product Stewardship model, on which the existing regulation is based.

 To pursue continuous improvement in recovery performance and, in that pursuit, to consider innovative new formats and configurations of the collection infrastructure.

A significant amount of forward thinking (and to a degree, crystal ball gazing) is required to plan for and address these priorities, but we expect the picture to be much clearer by mid-2012, particularly with respect to packaging and printed paper. In the meantime, senior management is doing some excellent work to model various scenarios, often in collaboration with other stewardship agencies as current and future programs become increasingly interconnected.

We appreciate the opportunity to work cooperatively with these agencies and with the Ministry of Environment as British Columbia enters the next phase in the evolution of industry product stewardship.

It is a credit to management and staff that the day-to-day operations of the corporation and the beverage container recycling system continue to be conducted smoothly and that the Board is able to concentrate on longer term strategic issues. I would again like to thank the team for all its efforts in making Encorp Pacific one of the most respected stewardship agencies in North America. And as always, I would like to thank the Board of Directors for its dedication and thoughtful guidance as we prepare for the changes that lie ahead.

Dan Wong Board Chair

# Message from Chief Executive Officer



Despite our past successes, we are intent on achieving even higher environmental performance. What lies ahead will challenge Encorp as we strive to increase the incremental performance – the 'last mile' is always the toughest – and overall benefits of our beverage stewardship program. After more than 18 years in operation, we have demonstrated that our industry self-managed model meets or exceeds expectations of most stakeholders.

We recover 80% of all the beverage containers sold in British Columbia and operate without any form of subsidy from any level of government. Each year the Encorp network of 172 Return It™ depots & their owners invest in new locations and upgrades all in keeping with our commitment to enhance the appeal and customer service for our citizens who are doing their part by returning containers for recycling.

Through our independent depot owners and our contract partners in transportation and processing, more than 750 British Columbians are employed.

Starting in 2012, we will accelerate our development of new Return It™ collection formats in order to service densely populated urban areas in the major cities of the province. At the same time we will commence pilot testing new methods of sorting containers to reduce the time and effort required by consumers and to achieve increased productivity for depot owners. In 2011, we partnered with the City of Richmond and the beverage industry to field a successful pilot program for beverage container recycling in public spaces. From this experience, we anticipate partnering with other municipal and regional governments to expand the accessibility and the number of beverage collection bins located on streetscapes and public areas. In 2011 we concluded a successful pilot program with Capilano University located in North Vancouver, and intend to extend this approach to other post-secondary institutions.

These initiatives; increased consumer accessibility to depots and expanded collection infrastructure in public spaces, are the underpinning of our drive to continue increasing our recovery rates over and above the high standards we now achieve. An analysis of our recovery rates yields some important details; namely, for alcohol containers primarily consumed indoors (15% of total sales) we achieve a recovery rate of 95%; for aluminum/ plastic containers primarily consumed away from home (65% of total sales) we achieve a rate of 80% and for specialty glass and carton containers (20% of total sales) we achieve a rate of 70%. Therefore we intend to invest in expanding our collection infrastructure to increase our capture of containers consumed away from home.

As we approach our 20th anniversary in 2014, I believe we have assisted in the development and success of industry-led stewardship in British Columbia; a success that has pioneered the most profound expansion of extended producer responsibility anywhere in North America. Citizens, governments and producers have been helped to secure their interest in environmental sustainability. The entrepreneurs who operate depots, transporters, processors have partnered with our dedicated staff and our professional board of directors to fashion a made-in-BC success story.

Sincerely,

Neil Hastie President & CEO

# What Drives Us

"I am proud to be associated with a stewardship organization that is making such an important contribution to maintaining British Columbia's reputation as the best place in the world to live, work and play."

Dale Parker, Board Member

### Vision

Encorp Pacific (Canada) will be a leader in British Columbia in the design and delivery of a highly effective stewardship program across a targeted range of end-of-life consumer products and packaging.

### Mandate

Encorp Pacific (Canada) will be the leading stewardship agency in British Columbia with a continuous focus on beverage containers as our core business.

### Role

Our role as a stewardship corporation is to facilitate brandowner/producer compliance with the Recycling Regulation by organizing recycling programs from collection and transportation through to the final recycling into a variety of end-of-life packaging and products.



# **Encorp Pacific Business Model**

Since its inception the Encorp business model has had outsourcing as the key component for delivering on its mandate. The company has developed and maintained a set of core competencies in a small managerial and administrative team responsible for strategic planning, financial management, consumer awareness, infrastructure development, information technology and public transparency.

All other operational activities are delivered through a network of independent contractors such as depot operators, transporters, processors and others. This contract management model allows Encorp to regularly test the market for cost competition without having to support any capital investments of its own.

The advantages of this model include:

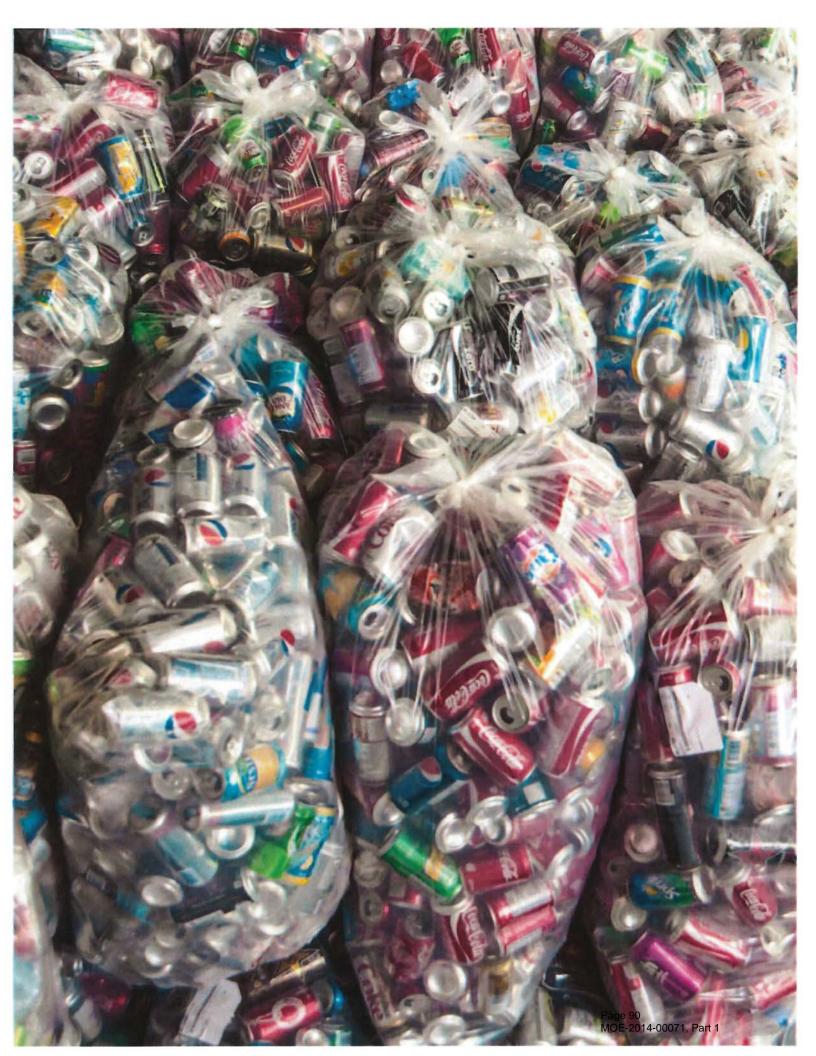
Market-based costs – Regular reviews of costs ensure that any recent improvements in efficiency and technology can be exploited.

Scalability – Changes in demand can be accommodated rapidly.

Flexibility – Changes in market behaviours can be quickly incorporated under the contract management system.

Innovation – New ideas can be tested, assessed and, where feasible, incorporated into the overall business model.

In essence, the Encorp model is similar to that of many manufacturing industries which retain their key strategic strengths in-house but outsource most aspects of producing their products. The flexibility of this model makes it possible for Encorp to continue adapting to changing market trends.



# Depots Achieve All-Time Highs Customer Satisfaction and 5 Star Certification

We have record high recognition and record high recovery rates.

Today, this network of privately owned Return-It™ Depots operating under license from Encorp has become the collection network backbone for many recycling programs. Stewardship programs for domestic beer containers, residual household hazardous waste and end-of-life electronics/ electrical equipment all utilize our network. Driven by the depot owners' increased commitment to customer service, the depot has become a one-stop drop for regulated consumer products and packaging.

Here is an overview of the 172 depots in the network today:

## Return-It™ Network by Type

Here are some of the business metrics for the Return-It™ network:

- 1. Median volume: 5.0 million units of Encorp material + 1.5 million units of Brewers Distributor Limited (BDL) material = 6.5 million total
- Depots share of all collected containers: 91%
   go to grocery retailers)
- 3. Depots share of alcohol containers: 84% (16% goes to government liquor stores)
- 4. Depots collecting electronics: 84
- 5. Total estimated employees: 700 full-time equivalents
- 6. Total Encorp fee for service payments to depots: \$51.4 million/year



# 5 STAR Return-It Depot



206 - 2250 Boundary Road, Burnaby, BC V5M 3Z3 tel: 1-800-330-9767

# There's a Story in Every Depot

With over 20 years of recycling experience, Hanif Devji opened the Langley Bottle Depot in 2001. After arriving in Nanaimo from Kenya in 2000, nine months later he found the Langley Bottle Depot. Hanif quickly realized it was the perfect business for him and his family. The Langley Bottle Depot is a centrally located 5-Star Depot with plenty of parking and extended hours. His philosophy is simple: By providing a clean, comfortable recycling facility with the best customer service, he can reward those who are making the effort to keep waste out of our landfills. The formula has worked. Hanif's success has allowed him to expand his business - he is now the proud owner of Enderby Bottle Depot located in the Okanagan.



# **Keeping Things Moving**

# Encorp keeps the system moving through productive relationships with 33 transporters who move material into 17 central processing sites.

Encorp has a solid group of transportation partners, many of which have been working with us for up to 17 years. We have also added in new contractors in the North where we have had some gaps in service.

Our processor continue to assist Encorp in identifying new end markets for our materials. These partners sort, process and compact various glass, plastic, aluminum, and bi-metal materials and are key in the recycling process.

Encorp's transportation contractors continue to have added pressures of higher fuel prices. We consistently monitor these prices across our network working with our partners to minimize these costs wherever possible. Fuel prices have at times hit peaks in cost during 2007 and 2008.

Encorp's contractors continue to look at alternative fuel technologies such as low burning sulfur vehicles, hybrid diesel trucks, and even natural gas engines. Much of this technology is still in its infancy, or has provided difficulties for many of our contractors to implement, such as low sulfur burning trucks resulting in lower fuel efficiency.

Through 2011, transportation traffic has been difficult in the Metro Vancouver region due to ongoing road construction from the North Shore through to Abbotsford and is expected to continue until 2014. We have also seen construction and traffic challenges through parts of Okanagan.

To assist in these traffic concerns, Encorp and its transportation contractors are working with our depot network to lengthen hours for pick up, as well as assisting depot operators to relocate to buildings that make the loading of Encorp's trucks easier and more efficient.

Eighteen years ago, Jason Webb was working in the grocery industry when a coworker introduced him to Encorp Pacific. Before Jason knew it, he had discovered his career and had become one of Encorp's contract transporters. He brings used beverage containers from locations across the Lower Mainland to processors such as Merlin Plastics in Delta, BC. On a typical day, Jason starts at 5am and hauls several loads per day between grocery stores, bottle depots and processors. With a part-time employee and the use of his independently owned single truck, Jason estimates he moves 5,600 bags per week. That's about 1.1 million containers that are recycled and kept from our landfills each week.



# Recycling is Worth It



### Aluminum

Aluminum is the most valuable commodity collected by Encorp. Baled aluminum cans are sent to a major re-melt facility and turned back into sheet stock for new cans.



### Plastic

The two key plastic resins collected by Encorp, PET and HDPE, are sent to separate facilities to be cleaned and pelletized for sale into the open market. End uses for these plastics include new containers, strapping materials and fibres. Encorp has signed a multi-year contract with Merlin Plastics to ensure long-term markets for these commodities.



### Glass

United Concrete, Encorp's contracted glass processor has continued to find end markets for glass in Airdrie, Alberta and Seattle, Washington. Long-term arrangements for utilizing glass collected on Vancouver Island have been made with Emterra, formally known as International Paper Industries. End uses for recycled glass include new bottles, pink insulation, sandblasting materials and construction aggregates.



### Polycoat

Drink boxes and gable top cartons continue to be sold into markets primarily in Asia. The high quality paper fibre that comprises the bulk of these containers is recovered and used to make cardboard boxes and tissue paper.





# Regional Weights and Per Capita Container Returns

# In 2011, decreased beverage sales across BC resulted in decreased per capita returns.

Returns by Region Summary. Alcohol and Non-Alcohol containers: January - December 2011

				01	Debound	Other	Tatal	Jan Dec. 2011 Per	Jan Dec. 2010 Per Capita
Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Capita	Сарпа
Bulkley / Nechako	Units(000)	4,636	3,337	1,146	698	54	9,870	250.7	254.2
Bulkley / Nechako	Tonnes	65.3	97.1	414.0	15.0	3.1	594.6	15.1 kg	16.3 kg
Cariboo	Units(000)	7,262	5,582	2,291	1,208	97	16,440	249.7	267.1
Cariboo	Tonnes	102.3	167.2	768.0	24.7	6.9	1,069.2	16.2 kg	18.4 kg
Central Coast	Units(000)	292	166	87	49	4	598	188.0	183.6
Central Coast	Tonnes	4.1	5.7	36.0	1.0	0.2	47.1	14.8 kg	15.2 kg
Fraser - Fort George	Units(000)	11,496	9,581	4,010	2,172	165	27,425	282.9	294.7
Fraser - Fort George	Tonnes	162.0	281.1	1,312.4	47.2	8.6	1,811.2	18.7 kg	21.3 kg
Kitimat - Stikine	Units(000)	4,492	3,349	928	714	79	9,561	237.3	250.0
Kitimat - Stikine	Tonnes	63.3	99.2	347.7	16.2	3.6	530.0	13.2 kg	14.7 kg
Skeena - Queen Charlotte	Units(000)	2,786	1,867	677	372	48	5,750	295.1	311.2
Skeena - Queen Charlotte	Tonnes	39.3	56.2	244.8	8.0	2.2	350.5	18.0 kg	20.0 kg
Northern Rockies	Units(000)	1,013	1,322	215	153	6	2,710	428.5	361.0
Northern Rockies	Tonnes	14.3	31.5	66.6	3.2	0.2	115.7	18.3 kg	20.2 kg
Peace River	Units(000)	6,810	6,316	2,253	1,013	113	16,505	256.8	265.5
Peace River	Tonnes	95.9	179.0	723.1	23.7	3.6	1,025.3	15.9 kg	17.7 kg
Capital Regional District	Units(000)	30,056	26,688	20,113	5,362	530	82,747	220.9	232.0 26.8 kg
Capital Regional District	Tonnes	423.5	873.4	7,306.1	165.1	46.9	8,815.1	23.5 kg	20.0 kg
Cowichan Valley	Units(000)		6,808	3,625	1,443 37.3	172 11.9	21,226 1,746.0	254.8 21.0 kg	268.6 23.1 kg
Cowichan Valley	Tonnes	129.3	213.7	1,353.9		11.9			
Alberni / Clayoquot	Units(000)		3,067	1,506		73	9,185 712.5	290.1 22.5 kg	306.1 24.9 kg
Alberni / Clayoquot	Tonnes	56.3	93.1	545.8	13.7	3.5	712.0		
Comox	Units(000)		5,343	3,226		119 10.5	16,763 1,517.9		270.6 25.5 kg
Comox	Tonnes	97.2	171.4	1,206.8	32.1	10.5			
Mount Waddington	Units(000)		1,029	441		9	3,326		265.9
Mount Waddington	Tonnes	23.2	32.4	166.9	4.5	1.4	228.5	19.0 kg	20.5 kg
Nanaimo	Units(000)		10,922	7,646	100	242	33,365		230.2
Nanaimo	Tonnes	176.0	347.5	2,711.7	60.4	24.0	3,319.5	22.0 kg	23.9 kg

Encorp Pacific [Canada]

# Units (000) Tonnes Per Capita totals (kg)

987,197 88,787.7 215.9

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan Dec. 2011 Per Capita	Jan Dec. 2010 Per Capita
Strathcona	Units(000)	2,893	2,084	1,238	478	49	6,742	151.5	152.3
Strathcona	Tonnes	40.8	66.1	461.7	12.7	4.5	585.8	13.2 kg	13.6 kg
Greater Vancouver	Units(000)	152,843	159,958	98,365	39,599	4,756	455,520	189.4	200.2
Greater Vancouver	Tonnes	2,153.6	4,979.1	34,838.0	997.3	228.0	43,196.0	18.0 kg	19.9 kg
Fraser Valley	Units(000)	27,071	23,490	10,047	5,980	641	67,227	234.3	249.2
Fraser Valley	Tonnes	381.4	736.0	3,445.5	132.4	29.3	4,724.5	16.5 kg	18.7 kg
Powell River	Units(000)	1,940	1,420	822	279	35	4,497	219.1	229.8
Powell River	Tonnes	27.3	45.9	312.2	7.7	4.0	397.0	19.3 kg	20.7 kg
Squamish - Lillooet	Units(000)	3,429	3,539	3,669	616	51	11,305	273.2	301.2
Squamish - Lillooet	Tonnes	48.3	108.4	1,299.2	16.6	3.2	1,475.8	35.7 kg	40.7 kg
Sunshine Coast	Units(000)	2,288	1,916	1,810	428	41	6,482	213.5	225.2
Sunshine Coast	Tonnes	32.2	64.4	684.8	12.8	5.9	800.1	26.4 kg	28.6 kg
Central Okanagan	Units(000)	16,374	15,959	9,702	3,849	233	46,116	246.3	252.0
Central Okanagan	Tonnes	230.7	487.7	3,517.6	89.5	22.3	4,347.9	23.2 kg	25.3 kg
North Okanagan	Units(000)	9,761	9,535	4,323	2,096	146	25,861	311.4	319.6
North Okanagan	Tonnes	137.5	301.2	1,514.6	57.2	13.2	2,023.8	24.4 kg	26.5 kg
Okanagan - Similkameen	Units(000)	7,943	7,356	4,531	1,373	132	21,335	258.2	262.2
Okanagan - Similkameen	Tonnes	111.9	229.0	1,709.3	35.1	13.0	2,098.3	25.4 kg	26.9 kg
Columbia Shuswap	Units(000)	5,359	4,822	3,038	854	69	14,143	263.1	274.9
Columbia Shuswap	Tonnes	75.5	142.5	1,023.3	21.8	6.7	1,269.7	23.6 kg	26.4 kg
Thompson - Nicola	Units(000)	14,530	13,263	6,362	2,567	233	36,955	279.2	292.0
Thompson - Nicola	Tonnes	204.7	389.4	2,171.8	59.8	17.1	2,842.8	21.5 kg	24.5 kg
Central Kootenay	Units(000)	4,983	3,627	3,017	858	76	12,561	207.0	218.3
Central Kootenay	Tonnes	70.2	117.0	1,030.6	22.5	7.1	1,247.4	20.6 kg	22.9 kg
East Kootenay	Units(000)	6,292	5,680	3,011	879	79	15,941	264.4	274.7
East Kootenay	Tonnes	88.7	167.1	1,052.2	23.5	5.6	1,337.0	22.2 kg	24.6 kg
Kootenay Boundary	Units(000)	2,920	2,393	1,167	498	53	7,031	220.7	222.9
Kootenay Boundary	Tonnes	41.1	73.1	427.4	12.8	4.1	558.5	17.5 kg	18.8 kg

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# **Quality Assurance**



"It is a pleasure to partner with Encorp for over 15 years to provide processing and baling from a number of our processing facilities throughout BC. This helps maximize the weight of each commodity and ensures the final product being sent to market meets specification."

Brandon Rogers, Cascades Recovery Inc.



Our Quality Assurance site purchased and installed the Anker Andersen (AA) equipment from Denmark, which is a high speed automated sorting machine dedicated to counting used beverage containers.

The AA equipment has been in place in Europe for over 10 years and it is the first instance where this technology will be used in North America. The AA machine counts and sorts the containers by reading the Universal Product Code (UPC) on the containers. It uses a series of belts and 8 scanners and optical cameras to read the UPC codes. With Encorp's system the AA equipment will scan and sort aluminum cans at an average of 200 cans per minute and 120 plastic containers per minute.

The AA equipment has been very beneficial by substantially increasing the counts with automation, reducing human error in manual counting and by continuing to increase the integrity of our Quality Assurance site.

Encorp was successful in completing the task of registering the UPC codes of thousands of products and integrating the technology from Europe by modifying our procedures and software to Encorp's application.

Encorp Pacific [Canada]



# Recyclers to the Core



Encorp was established in 1994 to recover and recycle deposit-bearing beverage containers. This remains Encorp's core business interest.

The flexibility of the Industry Product Stewardship model, however, permits the addition of other product recycling programs, providing they meet key business case requirements:

Additional services should complement and not interfere with Encorp's core business.

Each contract must provide some benefit to existing brand owners – typically through the sharing of overhead costs.

Each additional program must be completely self financing.

Under service provider contracts, Encorp does not assume product stewardship agency responsibilities as defined under provincial legislation.

In 2007, Encorp undertook two service provider contracts that met the above criteria: RETURN-IT ELECTRONICS™ and RETURN-IT MILK™.







### RETURN-IT ELECTRONICS™

The program is operated by Encorp under contract from the Electronics Stewardship Association of BC (ESABC), which is the product stewardship agency for electronics. ESABC produces a public annual report on the program that can be viewed at www.esabc.ca

# Electronic Stewardship Association of BC (ESABC)

Under a contract with ESABC, Encorp has operational management of a system that collects, and transports to recyclers, End-of-Life Electronics (EOLE) covered by the provincial regulation. At the end of 2011, there were over 125 permanent sites throughout the province to which consumers and businesses could return designated EOL electronics at no charge; up from 111 in 2010.



### RETURN-IT MILK™

Since Encorp depots already accept beverage containers, adding milk and soy containers was a natural.

### **BC Dairy Council (BCDC)**

The contract with BCDC covers a voluntary (non-deposit) recovery system for all milk and soy beverage containers. At the end of 2011, there were 166 Encorp depots that accept milk and soy jugs and cartons. Although the Return-It Milk™ program is not covered by provincial regulation, and BCDC is not a product stewardship agency, it does produce an annual public report on the program's results, which can be found at www.milkcontainerrecycling.com

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# Raising Consumer Awareness Brings a Rise in Returns

A major part of a smoothly functioning Encorp system is a consumer base with a clear understanding and appreciation of the value of recycling. To keep consumer awareness and recycling numbers high, it is important that the right messaging reaches the right people. That's why every year we commit a significant budget to encourage consumers to keep returning and recycling containers. We get that educating consumers is essential – and it's one of the most important jobs we do.

With five beverage container types, Encorp has to make sure it connects with each specific audience at their place of consumption, whether it's at home, at work, or somewhere of leisure. Plus there's a mix of

"Encorp is a shining example of how you can make consumer awareness fun and informative. The "Karma" video clips were hilarious and to the point. There is no question that Encorp knows how to get the message out."

Allen Lynch, North Shore Recycling Program

individuals that fall into each target group – children, teenagers, adults, and families. Yet, even with so many variables, we arrange messages that are directed to these consumers both individually and through a mass audience. Every year, numerous approaches are used to be as relevant and timely as possible. These methods include promotions, public relations, community involvement, as well as general and specific advertising through many types of media.

At the start of 2011, Encorp set a number of objectives for the year, and by the end of the year, we're proud to say each of those goals was reached. This of course, would not have been possible without a strong foundation of supportive consumers.

### 2011 Objectives:

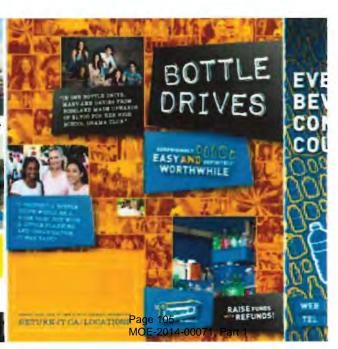
- Increase the recovery rates and the number of containers collected over last year.
- Introduce new media components and target key areas, specifically the City of Vancouver.
- Create strategic partnerships and implement pilot programs with specific communities.
- Re-introduce the Karma campaign to encourage British Columbians to always return their beverage containers for recycling.

# 5 Star Return-It Depots Set the Standard









Encorp's efforts in continuously raising consumer awareness and recycling numbers are evident in their various advertising tactics.

Advertorials – Newspaper advertorials, including an Earth Day version, and a special feature in the Vancouver Sun, provided high-impact exposure in local communities where they were distributed.

Karma Commercials – These commercials were found on TV, radio and online, and encouraged British Columbians to do the right thing in recycling responsibly.

Trade Show & Events – The Encorp branded booth travelled to multiple events over the year. With this booth, the Encorp Ambassador team was able to interact with many new recyclers, and to also communicate the campaign messaging.

Regional District Calendars – Encorp had information included in these municipal calendars as they were the perfect opportunity to encourage individuals and families to recycle on a regular basis, right from within people's homes.

TV Spots with Wesla Wong – Wesla Wong from Global BC hosted four energetic TV spots to help build awareness and recognition of Encorp Pacific.

Website Re-Design – Return-It.ca got a facelift in 2011 with streamlined information in an organized layout, a responsive Locations application, as well as a fresh new look.

Trailer Trashed Spots – In 2011, Encorp was a sponsor for the Recycle Council of British Columbia's Trailer Trashed contest. This environmental short film competition gave people a fun opportunity to create original trailers and win cool prizes.

Consumer Brochure – This general brochure includes information on who Encorp Pacific is, what it does as a Product Stewardship Corporation, and other important details for consumers.

Bottle Drive Promotion Handout – Encorp's Bottle Drive Promotion Handout provides consumers with helpful tips and hints on how to host a successful event.

5 Star Depot Ads – Encorp's voluntary 5 Star Program has been developed to help increase Return-It™ Depots' used beverage container collection by helping set the highest standards of customer service, cleanliness and overall appeal. Encorp rewards each dedicated depot with a substantial financial benefit and newspaper ad.



# **Revealing Research**





### **Beverage Container Return Study 2011**

We are results oriented. Every year Encorp engages a professional research company to survey hundreds of BC consumers to measure their awareness, attitude and behaviour. The results are compared to previous years to measure our progress and are also used as a guide in developing consumer awareness programs.

Our detailed research studies are a valuable tool in our drive to keep recyclable materials out of our landfills. This year we focused a portion of the study on the Discarder - the person who is most likely to throw containers into the trash. What we've learned will help us refine and target our message. The goal is to transform today's Discarder into tomorrow's Recycler.

- 85% of people are aware of Return-It™ Depots and 63% are aware of grocery stores as a location to return beverage containers for recycling or for a refund.
- 98% are aware of the types of beverages able to be returned for a deposit refund.
- 99% are aware of the types of containers able to be returned for a deposit refund.
- 78% are aware of Encorp Pacific and Return-It™.
- 91% are satisfied with the Return-It<sup>™</sup> Depot they visit most often.

# **HEAVY DISCARDERS (HD)**

Those who typically discard at least 2 containers/ week (any type, any location).



BC POPULATION 10%
CONTAINERS EMPTIED 19%
CONTAINERS DISCARDED 67%

### Where and How Much

First, these are the heaviest generators of empty containers (their households account for 19% of all containers generated; they create, on average, more than double the number of containers a non-discarder does).

Second, they discard the largest proportion of containers they empty (19% of all their containers are discarded compared to 4% for BC consumers in general). They account for an incredible 87% of all containers discarded in BC. On average, an HD household discards about 11 containers/week, which adds up to more than 46 per month and more than 550 per year.

HD discard containers more often in all locations; HD discarded containers are split almost equally between all three locations (30% at home, 31% at work and 39% at leisure). Because of heavy consumption there, they strongly over-index on discards at work (94% of all containers discarded at work in BC are by HD compared to 87% of those discarded at home and 83% of those discarded at leisure).

### Who They Are

More male (65%). Urban (25% City of Vancouver vs. 14% general population) and therefore more in multifamily dwellings (48% vs. 37% general population). Younger (56% 18-34 compared to just 28% of the general population), they are naturally more likely to be employed outside of the home (70% vs. 54%) or students (8% vs. 4%) and very predominantly single (46% vs. 23%).

### **How to Target**

Make it easy for them. Appeal to their selfish side.

## MODERATE DISCARDERS (MD)

Those who typically discard between 0.4 and 2 containers/ week (any type, any location).



### Where and How Much

Above-average generators of empty containers (their households account for 17% of all containers generated; they create, on average, about one and a half times the number of containers a non-discarder does). Still they produce far fewer (each household produces about 1/3 less empty containers) than HD do.

They are also above-average discarders, but again, on a far smaller scale than HD (they discard less than 3% of their containers and account for just 17% of all containers discarded in BC). On average, an MD household discards about 1 container/week, which adds up to about 4 per month and close to 50 per year.

Leisure is where MD do most of their damage, with work secondary (33% at home, just 15% at work but fully half, 52% at leisure). Still, because HD are responsible for so much of the discard, MD account for only 14% of total containers discarded at leisure, 12% at home and just 6% at work.

### Who They Are

More balanced in gender than HD, more MD are still male (60%). These are largely suburbanites (45% Metro Vancouver outside of Vancouver vs. 36% general population) and therefore over-index on being in single-family dwellings (57%). They are more often young families; not as young as HD, they are nonetheless younger than low or nondiscarders. Nearly all (79%) are under 54 years of age (vs. 65% of the general population). Most are married (60%) and are strongly families with children (36% vs. 24%).

### **How to Target**

Make it fast for them.

Provide the means to recycle while at leisure.

# LOW DISCARDERS (LD)

Those who typically discard between 0.1 and 0.3 containers/ week (any type, any location).



BC POPULATION 11%
CONTAINERS EMPTIED 11%
CONTAINERS DISCARDED 278

### Where and How Much

More like an average British Columbian in the number of empty containers they produce, they over-index only slightly relative to those who discard nothing (their households account for 11% of all containers generated; they create, on average, about 15% more containers than a non-discarder). Discards are very, very occasional (they discard less than 1% of their containers and account for just 2% of all containers discarded in BC). On average, an LD household discards fewer than 1 container/month, which adds up to less than 10 per year. At leisure is really the only place where LD need to mend their ways (68% of all containers discarded by LD are at leisure, just 20% at home and 12% at work).

### Who They Are

They are roughly like the average British Columbian on all demographics: where they live (equally urban and rural), gender, age, life stage, employment, dwelling status and marital status.

This means that many LD are middle aged or older empty nesters (71% are 35 or older, 34% 55 or older); many are post-family (44% households are composed of older adults only), married couples (65%), who are retired (22%), or still working (56%).

### **How to Target**

Prove it matters.

Provide the means and motivation at leisure

## 2011 Major Consumer Programs

The 172 Return-It Depots and five mobile collectors across BC recover and recycle approximately 80% of the beverage containers sold in the province. That's almost one billion containers that were kept out of our landfills this past year. But there's always room for improvement. That's why every year Encorp encourages even more beverage container recycling through specialty programs.



### School Recycling Program

For ten years, this program has helped elementary and high schools promote environmental action and also raise money. In the 2011 school year, Encorp provided more than 530 recycling bins to schools. With 129,000 students participating in this friendly competition to collect the most containers, over \$249,500 in deposit refunds was collected. To reward these students for their hard work, \$13,500 in prizes was awarded to the winning schools.



### **BC Parks Pilot Program**

Expanding on a successful pilot launch in 2009, Encorp continued its efforts towards keeping BC parks clean in 2011 by providing 61 new bear-proof recycle bins to 4 popular BC Parks: Paul Lake, Wells Gray, Manning and Golden Ears. The parks receive the deposit refunds through these bins, responsible recycling is promoted, and most proceeds are given to their favorite charities. To date, Encorp has contributed 121 recycling bins to the program with a total value of \$184,000.



### **Outdoor Spaces Events**

Equally important to recycling at home, is also recycling away from home. Encorp promotes people to do both by having their street team and mascot, Return-It Man attend major events. In 2011, the team attended 50 trade shows and outdoor events, reaching more than 255,000 people.



### **Open Air Cinemas**

To further encourage people to recycle away from home, Encorp provided recycle bins at Open Air Cinemas throughout the summer of 2011. The Karma Activations Team attended these events in order to reach movie-goers and the Karma spots were also aired on the big screens.



### Science World

Science World's sustainability-themed gallery opened in its new prime location on the first floor in Fall 2011 after undergoing renovations. Encorp was a key supporter in funding and providing valuable information for the Waste & Recycling Exhibit. As one of seven Industry Production Stewardship agencies involved in the project, Encorp helped navigate the exhibit development team through BC's extensive, North American-leading recycling program.



### Return-It to Win-It™

Encorp's annual Return-It to Win-It™ Depot Promotion was back in 2011 to increase awareness of local depots. It also provided incentive for new customers to visit, and for existing customers to visit more often. Last year, one lucky grand prize winner drove off in a brand new 2011 Smart Car. Two other lucky customers won a pair of Vespa Scooters and a pair of mountain bikes.

## Capilano University Pilot Program



In Fall 2011, Encorp partnered with Capilano University to host a two-month long pilot project that focused on two desired outcomes:

- Find out why students throw away items rather than recycle them, in particular, refundable beverage containers.
- Develop an effective on-campus beverage recycling program that could be extended to other schools.

After a couple of waste audits were completed, it was discovered that students at Capilano did not understand the connection between throwing something 'away' in the garbage and knowing where that item eventually ends up. They simply did not understand the impact of tossing away their beverage containers. Another key discovery was that Capilano did not have an organized and systematic recycling process in place. When one of the waste audits was done, approximately 50 refundable collection bins were counted, but they varied in size and color.

Since this project took place, waste management at Capilano has been brought into the spotlight and students have shifted their perception of recycling on campus. Through the efforts of a significant number of students and faculty members, a more regulated recycling system with new standardized collection bins has been put in place. Classes such as Business Leadership, Geography, and Psychology of the Environment have incorporated the challenge of waste reduction into their curriculum. As well, the diversity of the Campus Sustainability Network has also been strengthened through this pilot project. And it doesn't stop here. Capilano University plans to execute a third waste audit, which they hope to turn into an annual event in order to keep improving campus-wide recycling efforts.

## Richmond Public Spaces Recycling

Recycling in public spaces is an important step toward producing less waste. There are many reasons why it's so important – it reminds people of recycling behaviors that are normally practiced at home; it highlights the significance of recycling in communities; and there's positive reflection on environmental responsibility and a sense of community pride.

Last year, a public spaces recycling pilot program named 'Go Recycle!' was undertaken between July and October. It included the efforts of Encorp Pacific, The Canadian Beverage Association, Nestlé Waters Canada, and the City of Richmond. Go Recycle! was created to help design a model for public spaces recycling programs and to also further develop the city's waste diversion efforts. After just three months, Go Recycle! successfully resulted in a 27% reduction of beverage containers found in the waste stream. It also saw a 25% decline in recyclable non-beverage containers found in the waste stream. Together, this amounted to a 35% reduction in waste going to landfills.

The Canadian Beverage Association, Encorp Pacific and Nestlé Waters Canada funded the cost of purchasing new recycling containers for this pilot project. They also helped with the overall management of Go Recycle!, including the before and after measurements of the program. The City of Richmond hosted, installed, serviced and maintained the containers provided by the sponsors. They also took on the cost of branding the pilot program as "Go Recycle!" This is unique to the City of Richmond.

In a short period of time, this project was able to capture items that would have otherwise been abandoned by consumers at various outdoor locations, such as park spaces, recreational facilities, and streetscapes. Because of this achievement, the City of Richmond even announced its commitment to grow this pilot project into a city-wide program in 2012 to further encourage the public to recycle in its public places.



## A Look at the Key Principles of the Industry Product Steward Model

The Industry Product Stewardship (IPS) model was first set out in the 1997 regulation called Beverage Container Stewardship Program Regulation (BCSPR). Encorp Pacific, originally established in 1994, was reorganized in 1998.

Our new corporate architecture – federal incorporation under Part II of the Canada Corporations Act – was chosen specifically because it met the requirements of this new style of regulation.

In September 2002, the provincial government further codified the principles to be followed in its Industry Product Stewardship Business Plan.

### The key principles are:

Responsibility for waste management is shifted from general taxpayers to producers and users.

All brand owners for a particular product category are subject to the same stewardship responsibilities.

All consumers have reasonable access to collection facilities.

Programs focus on results and provide brand owners with the flexibility to determine the most costeffective means of achieving desired outcomes with minimum government involvement.

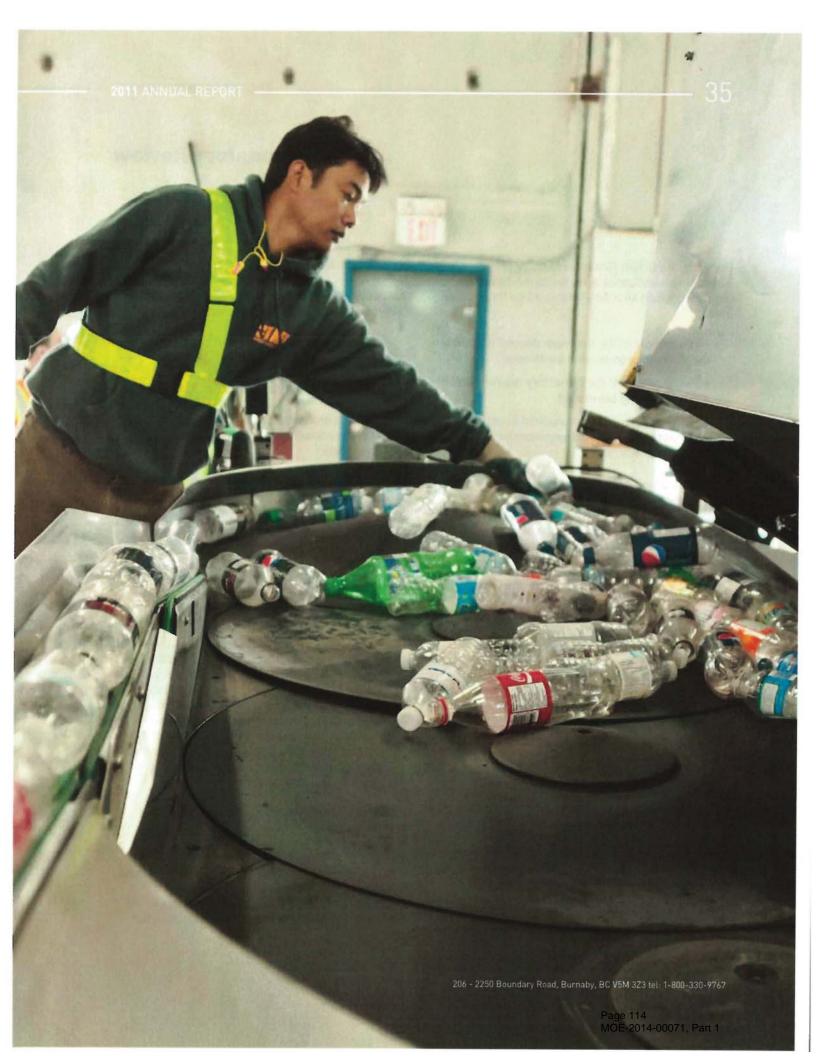
Programs encourage continued innovation by producers to minimize environmental impacts during all stages of the product life cycle, from product design to end-of-life management.

Industry is accountable to both government and consumers for environmental outcomes and allocation of revenues from fees/levies.

We strive to maintain consistent stakeholder support for Industry Product Stewardship (IPS) and for the way in which Encorp operates its recycling programs.

The IPS model provides Encorp with the optimum flexibility, allowing us to retain control of financial management and governance. Support for this model is fundamental and of the highest strategic importance. The way we operate our recycling programs further validates the IPS model as it demonstrates that industry will meet both public and private policy imperatives.

Brand owners, on behalf of their customers, want to minimize the costs of mandatory compliance schemes consistent with achieving acceptable environmental performance. Recycling, and in particular collection, for most materials is not self-sufficient and requires a subsidy – a cost borne by producers and consumers.



## Regulatory Review

Recently, the British Columbia Ministry of Environment undertook a review of the beverage regulation which specifically focused on three policy areas:

- The amount of the minimum deposit (currently five cents for non-alcohol containers).
- The requirement for mandatory return-to-retail for those selling beverages.
- The prohibition against waste to energy as an allowable product management option for beverage containers.

During the consultation process it became apparent that most stakeholders share a common view: B.C. beverage stewardship programs are very successful. Despite this success there is still a disconnect between science and fact-based analysis of benefits and costs when making environmental policy and the positions of some advocates who participated in the consultation.

### Here are some examples:

1. The presumption that increasing the minimum deposit for non-alcohol containers from the current five cents to ten cents will assure higher recovery rates: For the containers being managed by Encorp the analysis would look like this:

Assume that all containers with a 5 cent deposit would over time reach a recovery rate 5 points higher than current rates.

This would increase the recovered units by 48 million.

To put this into perspective, these 48 million containers would have a total weight of 1,240 metric tonnes (an increase of 1.4%). That equals a resource value of \$800,000 (a 5% increase) and an avoided GHG of 3900 metric tonnes (a 4% increase).

Set against these benefits would be the costs.

Our best estimate of the system wide impacts is as follows:

- (a) Increase in initial consumer outlay of \$50 million
- (b) Financing costs of \$10 million.
- (c) Increase in operating costs of \$10 million.

The science demonstrates that the environmental benefit is remarkably small compared to the economic costs.

- Allowing for voluntary return-to-retail to replace the current requirement for mandatory take back.
   For containers being managed by Encorp the analysis would look like this:
  - Grocery retail volume would be reduced by 50 million units with system wide savings of \$2 million
  - Depot volumes would be increased by 45 million units with an increase in depot revenues of \$2 million.
  - Overall recovered volumes could decline by 5 million as some consumers might not switch from return-to-retail to return to depot (However, Alberta is an exclusive return to depot model and recovery rates are similar if not higher than BC). This amount is insufficient to justify the current blanket return-to-retail policy which places the same requirement on all retailers regardless of size or beverage volumes.

This analysis demonstrates that maintaining the current policy cannot be supported on either an environmental or an economic basis.

3. Allowing for waste-to-energy for those containers where there is no known commercially viable mechanical recycling option: For containers being managed by Encorp, the analysis would look like this:

- Annual accumulation of these laminate type containers has a cost of storage of \$10,000.
- Weight of these containers is 26 (Annual) metric tonnes - 0.3% of total.
- Resource recovery value as a substitute fuel is \$250,000.
- · There would be no net change in air emissions.

This analysis demonstrates that there is no net environmental benefit to offset the economic costs of prohibiting waste-to-energy for these container types.

Using the science/fact-based approach begs the real question - What is the basis for the opposition to maintaining the current deposit levels, allowing for voluntary return-to-retail and permitting waste-to-energy as a final option for a small fraction of the containers collected?

On evidence there is neither environmental nor economic rationale. While we understand the protective instincts of certain stakeholder groups who see their policy positions as a defense against a weakening of the system, this rationale is not sufficient in the forming of balanced environmental and economic policy.

We believe we can deliver even higher standards of performance at current deposit levels and are committing significant resources in that pursuit. With fewer than 10% of our containers being returned to retail stores; now is the time to permit retailers and their customers to choose the option best for them. Finally, we believe that a waste-to-energy option should be allowed for beverage containers as it is in all other product stewardship schedules to the Recycling Regulation.



## Stewardship Agencies of British Columbia



### Organization

There are currently 13 active stewardship organizations operating in British Columbia, with more slated to start operation in the coming years. The increase in product stewardship agencies is primarily due to the BC government's commitment to the Canadian Council of Ministers of the Environment (CCME) Canada-Wide Action Plan. The next two to five years could see a total of 20 to 25 stewardship agencies operating in BC.

Stewards in British Columbia are fortunate in having a flexible, performance-based regulatory framework within which to operate.

BC Stewards recognize that with the ability to set fees and have minimal provincial government involvement, in operational details, comes a responsibility to work together.

#### Mission

Without limiting the authority and jurisdiction of each BC Stewardship Agency, the mission of the BC Stewards Group is to:

- Provide a forum for the Ministry of Environment, local governments and BC Stewards to approach each other and engage in dialogue on issues of common interest and concern.
- Provide support to prospective BC Stewards in the development and implementation of their Stewardship Plans.
- Develop policies on issues such as service levels in remote areas.











- Develop a one-stop avenue for information brochures, videos and other communication tools to provide a common message to local governments and provide the public with a website and toll-free hotline for finding the nearest collection facility and information on all BC's stewardship programs.
- Create a forum of support, knowledge and expertise for our members to optimize the delivery of cost-effective and environmentally sustainable stewardship programs in BC.
- Cooperatively work with other provinces and states in North America to minimize the impact and optimize the benefits for brand owner members who operate in most or all of North America.

### Deliverables to date:

The BC Stewards group has actively been providing consumer awareness, educational tools and voluntarily collaborating on a variety of initiatives including:

- 1. The BC Recycling Handbook an easy, convenient guide for consumers to find out what and where to recycle products that fall under industry stewardship programs. Along with the handbook we provide a retailer rack card, and poster for Multifamily dwelling notice boards.
- www.bcstewards.com a website that has consumer information, posts upcoming events such as consultation meetings, links to every steward's website and provides a forum for the group to communicate with each other. There is also a direct link to the RCBC Recyclepedia,

and the download for the iPhone & android Recyclepedia app, both funded by a subset group of stewards.

- 3. The EPR Video the Industry Product Stewardship model is explained in this short video.
- 4. Participated with Stewards from across Canada in the Bi-Annual Conference on Canadian Stewardship to help facilitate the development of stewardship across Canada and to minimize the impact on consumers and brand-owner members.
- 5. Developed a service delivery guideline for consideration when developing new Product Stewardship Plans or amending existing plans. The guideline recognizes that over 98% of rural British Columbians live within a 45 minute driving radius of communities with a population of 4,000 residents. Service levels tied to community populations can maximize coverage and create a level playing field for all residents of rural regional districts.
- 6. Seven of the stewards provided funding and expertise to the update, re-design and new construction of the Science World recycling exhibit. They moved "Our World", the sustainability-themed gallery, from its traditional second floor location down to a prime position on the first floor.
- 7. Stewards who use Drop-off Events as part of their collection infrastructure joined forces and held 21 events, six were joint conducted in the following communities: Cache Creek, Valemount, Clearwater (twice), Mackenzie, and Invermere.













## A Governance Model Built on Accountability and Transparency

Encorp recognizes that its responsibilities as an Industry Product Stewardship (IPS) corporation require a governance model that places great emphasis on high standards of accountability and transparency.



L-R: Liisa O'Hara, Dale Parker, John Nixon, Neil Hastie, John Challinor, Dan Wong, Neil Antymis, Baljit Lalli, John Graham, Allen Langdon

### **Neil Antymis**

Director, Government Affairs, PepsiCo. Encorp Affiliation – Canadian Beverage Association. Committees – Audit/ Compensation. Term of office – Commenced 2005

Neil Antymis is a Certified General Accountant with 20 years of experience in the beverage industry. He is the Chair of the Canadian Beverage Association's Environmental and Packaging Stewardship Committee and sits on several stewardship Boards and committees.

### John B. Challinor II APR

Director of Corporate Affairs, Nestlé Waters Canada. Encorp affiliation – BC Bottled Water Association. Committee – Audit. Term of office – Commenced 2008

John Challinor has had executive and senior advertising and public affairs roles with leading technology and health industry companies over the last 28 years. He began his career as a newspaper and television reporter and editor. He served as a part-time municipal councillor for 15 years in Milton, Ontario, Canada's fastest-growing community. He holds a Bachelor of Applied Arts degree in Journalism from Ryerson University, an Accredited Public Relations (APR) designation from the Canadian Public Relations Society and a Certificate in Advertising from the Institute of Canadian Advertising. He is a member of the Board of Directors of Alberta Beverage Container Recycling Corporation, Alberta Beverage Council and the Canadian Beverage Container Recycling Association.

Encorp Pacific (Canada)

### John Graham

Director of Public Affairs & Government Relations, Canada Safeway Limited. Encorp Affiliation - Retail Council of Canada. Committee - Governance. Term of office - Commenced 2011.

For the past 17 years John has represented Canada Safeway's interests on a broad range of issues impacting the grocery chain's retail stores and plants. His current responsibilities include directing the company's government and media relations across the Canadian Division as well as overseeing Canada's public relations endeavours.

A graduate of Manitoba's I.H. Asper School of Business, John sits on a number of industry, corporate and community boards including Chair of Marketing and Lotteries for St. Boniface Hospital and Research Foundation.

### **Neil Hastie**

President and CEO, Encorp Pacific (Canada). Encorp Affiliation – Inside Director. Term of office – Commenced 1998.

Neil Hastie has been the President and CEO of Encorp Pacific since 1998. He has extensive senior executive experience with a variety of companies. He holds a Masters degree in Business Administration from York University in Toronto.

### Baljit Lalli

Public Affairs and Communications Manager, Western Canada, Coca-Cola Refreshments Canada. Encorp Affiliation – Canadian Beverage Association. Committee – Governance. Term of office – Commenced 2009.

Baljit Lalli has held corporate communications positions with companies such as James Hoggan and Associates for the Sea-To-Sky Highway Improvement Project, Labatt Breweries and the Provincial Government. She is a former Director of Room to Read Canada.

### Allen Langdon

Vice President, Sustainability, Retail Council of Canada.. Encorp Affiliation – Retail Council of Canada. Committee – Governance. Term of office – Commenced 2008.

Allen Langdon has been Director, Spirit of BC for 2010 legacies and an Associate Vice-President for a national public affairs consulting firm. He is also a member of the Board of Directors for the Housing Foundation of BC.

#### John Nixon

Secretary, Beverage Alcohol Containers

Management Council of BC. Encorp Affiliation —
Beverage Alcohol Containers Management Council
of BC. Committees — Audit/ Governance. Term of
Office — Commenced 2009.

John Nixon, a graduate of UBC, is an independent public affairs consultant who is also General Manager of the BC Wine Authority. He has had extensive experience in the beverage industry and was a founding member of the Board of Encorp Pacific (Canada).

### Liisa O'Hara

Commissioner, British Columbia Utilities Commission. Encorp Affiliation – Unrelated Director. Committee – Audit. Term of office – Commenced 1999.

Liisa O'Hara has been a senior executive with a major pipeline company with responsibilities on its Executive Management Committee and as Chair of its Pension Committee. She is a Director of the Terminal City Club, a graduate of the ICD Corporate Governance College and a Certified General Accountant.

#### Dale Parker

Chairman, Pacific Parkinson's Research Institute. Encorp Affiliation – Unrelated Director, Committees – Compensation/ Governance. Term of office – Commenced 2002.

Dale Parker has been the President and CEO of the Bank of British Columbia and the Workers' Compensation Board of BC. He is also Chair of the Board of Directors of TransLink, a member of the Board of GrowthWorks BC and the UBC Investment Management Trust and is a graduate of the Graduate School of Business Administration, Harvard University.

### Dan Wong - Chair

Encorp Affiliation – Juice Council of British Columbia. Committees – Audit/Compensation/ Governance. Term of office – Commenced 1998.

Dan Wong currently serves as the Executive Director of the Juice Council of BC. He has been Vice-President, Corporate Affairs, BC Ferries as well as heading the Corporate Relations practice for western Canada's largest food manufacturer. He holds a Bachelor and Master degree in Political Science from UBC.

### Governance

### **Board of Directors**

Board Structure – The 10-person Board is made up of nominees of the five key industry sectors and two unrelated directors. Two directors are appointed by the Canadian Beverage Association representing the major bottlers, one each is appointed by the Canadian Bottled Water Association, the Juice Council of BC and the Beverage Alcohol Containers Management Council of BC, and two are appointed by the Retail Council of Canada representing the major retail grocery stores. Two directors are unrelated to any aspect of the beverage industry. Encorp's President and CEO is also a director.

The Board determines the company's strategy and policies, sets objectives for the CEO, approves budgets and fees, and discharges its fiduciary obligations to the brand owners and other stakeholder groups. It provides oversight of Encorp's operations through quarterly Board meetings and an annual strategic planning session.

In addition to its structure, Encorp's governance model incorporates a number of values and processes that guide the functioning of the Board.

### Accountability

A fundamental part of Encorp's commitment to accountability is a set of policies and practices codified in a Board Manual for Directors prepared by one of Canada's leading experts on corporate and not-for-profit governance.

The policies in the Board manual cover such key items as terms of reference for the Board, the Chair, Directors and the CEO, as well as a Code of Conduct for Directors, including conflict-of-interest guidelines. The policies also set out how committee memberships are to be established, lay out terms of reference for Encorp's Board committees and specifies important review processes that the Board must undertake of the CEO and of its own performance.

### Transparency

Encorp provides a comprehensive public explanation of its operations through this annual report, its Advisory Committee and other methods. This transparency exceeds the requirements of regulation and is designed to provide as much information as possible to the general public.

# SORTING INSTRUCTIONS

The better you sort, the faster we can serve you!



## **Advisory Committee**

Encorp Advisory Committee Report to the Board of Directors – 2011

The Advisory Committee met twice in 2011, on April 28 and November 4 with agenda items that included consumer awareness, annual draft budget, audited financial statements, reappointments for Advisory Committee members and the draft 2012 Stewardship Plan. We also had a very informative tour of the Quality Assurance Centre.

At the November 4 meeting we had a presentation on mandatory return-to-retail by Allen Langdon of the Retail Council of Canada. There was excellent discussion with the committee agreeing that the concept had merit. A motion was passed that the Committee is open to examining and providing input on a phased system that moves away from mandatory return to retail which considers the impact on consumers, the industry and other stakeholders.

The revised Advisory Committee Terms of Reference were approved

The Committee received verbal reports from Neil Hastie on a number of items including how the 13 existing stewardship agencies had come together to explore ways to coordinate efforts and to reduce consumer confusion.

The committee thanked Encorp for the opportunity to meet with the Board of Directors at the October Strategic Planning Session and to comment on the draft Stewardship Plan.

The Committee members continue to offer advice and direction to Encorp management and to the Board of Directors based on the input they receive from their respective sectors.

Respectfully submitted

A. Lynch, Chair

## **Advisory Committee Members**



Al Lynch – Chair Manager, North Shore Recycling Program, North Vancouver On Advisory committee since 2000

Al has been in his present position at North Shore Recycling since 1990. He has written an Integrated Solid Waste Management plan and has implemented a variety of recycling programs. He is Vice-President of the BC Chapter of the Solid Waste Association of North America.



Linda Barnes
Councillor, City of Richmond On
Advisory committee since 2006

Linda has been a council member for the City of Richmond since 1999.

She is a former classroom assistant for children with special needs and a former president of the Richmond School Board Employees Union.



Will Burrows

Executive Director, Coast Waste Management Association On Advisory committee since 2008

In addition to his duties as Executive Director he also runs a consulting business. Will has been the Project Manager for the largest metal recycler on Vancouver Island and is a past Board member of the Victoria Esquimalt Harbour Society.



Ken Lyotier

Founder and Executive Director, United We Can Bottle Depot On Advisory committee since 2005

Ken founded United We Can, a nonprofit bottle depot, in 1995 in order to provide work experience opportunities and income for residents of the Downtown Eastside Vancouver. He was awarded a Medal for Meritorious Service by the Governor-General of Canada.



Robert Knall

Senior Development Planner, Township of Langley, Community Development Division, Development Planning Section. On Advisory committee since 2010 Robert has been a planner with the Township of Langley since 1988, and is the Planning Institute of BC's representative on the Advisory Committee.



**Brock Macdonald** 

Executive Director, Recycling Council of BC On Advisory committee since 2007

Brock was RCBC's Director of Communications prior to his role as Executive Director. Formerly he was Communications Manager for Product Care, an industry product stewardship agency, an educator and award-winning journalist.



Janice Song

Owner/operator, Ironwood Bottle Depot On Advisory committee since 2006

In addition to the Ironwood Depot, Janice owns the Coquitlam Depot, which are 3 Star and 5 Star designated, respectively. She has been a certified depot operator trainer for Encorp since 2007 and has trained over 75 new depot operators.



Alan Stanley

Director of Environmental Services, Regional District of Kootenay-Boundary On Advisory committee since 2008

Alan manages a regional integrated solid waste management system that includes recycling collection programs, recycling depots, landfills and waste transfer stations.



Catarina Wong

Senior Director, Tax Operations and Government Affairs, Core-Mark International On Advisory committee since 2000

Catarina has a Master Degree in International Tax Law from Regent University, School of Law and is a Certified Management Accountant.

206 - 2250 Boundary Road, Burnaby, BC V5M 3Z3 tel: 1-800-330-9767

## **Encorp Pacific Environmental Report**

The Government of British Columbia has adopted public policies intended to promote a low carbon economy. As a stewardship agency operating under a provincial regulation, Encorp has an opportunity to disclose the impacts of its stewardship activities. In addition to informing our stakeholders, our benchmarking of our green house gas emissions opens a window for improved efficiency and the potential to reduce energy consumption in the future. We believe there is a sound business case for these initiatives.

### Reduction in Greenhouse Gas Emissions from Recycling

In 2011, Encorp collected and had over 88,000 metric tonnes of material recycled. The energy saved through the recycling of materials collected by Encorp has been converted into tonnes of carbon dioxide equivalent (CO2e) (the common measure of greenhouse gases (GHGs)), based on the US Environmental Protection Agency's Waste Reduction Model (WARM). The model calculates net emission reductions based on the average distribution of fuels consumed along the entire lifecycle production process!. While calculating avoided emissions for

2011, Encorp became aware that the new Waste Reduction Model (WARM) version 12 released in February 2012 yields different GHG reduction results when compared to version 10 used by Encorp in 2010. The review indicated that the discrepancy is due to the updated methodology and emissions factors employed by WARM.

The avoided emissions published in this report were calculated using the up-to-date WARM v.12 that has several emission factors revised to reflect the updated life cycle data as well as factors in industry specific electricity grid mix assumptions for plastic and aluminum containers. As the models improve each year, Encorp would restate the prior year avoided emissions using the updated WARM model to track performance against the base line chosen.

In total, Encorp's activities in 2011 contributed to the reduction of about 94.7 thousand tonnes of CO2 equivalent being released into the atmosphere, a slight decline of 5.2 thousand tonnes or 5% from the restated 2010 numbers. This came as a result of the decrease in weight of material collected due to the decline in beverage sales in 2011 from 2010.

Material	% Energy Savings from Use of Recycled Inputs for Manufacturing of Material	2011 tonnes CO2 equivalent reduced	2010 tonnes CO2 equivalent reduced (restated Note 1)
Aluminum	92%	50,159	50,504
Plastic	87%	11,873	13,703
Pouches/Bag-in-Box	53%	1,017	959
Glass	34%	24,698	27,202
Bi-Metal	82%	384	363
Polycoat	53%	6,596	7,193
Total		94,726	99,924

### Greenhouse Gas Emissions Associated with Encorp's Stewardship Activities

While recycling has an overall net benefit in terms of energy and emissions savings, the recycling process itself does require energy and thus has GHG emissions associated with it. While the Waste Reduction Model does factor in the typical energy use associated with recycling when estimating net savings, Encorp has committed to specifically estimating the GHG emissions associated with its stewardship activities. By doing so, we hope to identify ways in which we can minimize our carbon footprint.

Since Encorp is not a manufacturing company, the majority of our associated GHG emissions come as a result of transporting materials as well as heating and powering our network of facilities. Therefore, we define Encorp's GHG inventory boundary from the point that empty containers enter into the Encorp system at either a depot or retailer, to when the materials are delivered to the end processors for recycling into new products. Emissions were estimated using conversion factors and methodologies developed by the World Resource Institute's Greenhouse Gas Protocol.

The services provided to Encorp are done through third party independent contractors and the emissions produced by these activities are classified as Indirect Scope 3 GHG emissions in accordance with the World Resource Institute's Greenhouse Gas Protocol. With limited data availability for Scope 3 emissions we accept that data accuracy is lower.

### Accounting and Reporting on Scopes

Consistent with prior years, emission calculations from purchased Electricity were based on a survey of a number of depots and processors in each Region. These depots and processors were asked to provide their purchased electricity and natural gas consumption during the year. The sample was used to estimate the energy use per metric tonne of material collected which then was extrapolated to the total weight of used beverage containers collected in the Province.

The estimated energy consumption in KwHs was converted into the carbon dioxide emissions using the calculators offered by the Greenhouse Gas Protocol.

Starting 2010, the British Columbia Electricity Intensity factors retrieved from the Environment of Canada Website were used to calculate emissions from the purchased electricity to better reflect the proper mix of the low emission public utilities in BC. In 2011, we continued reporting on other GHG gases (CH4 and N20) in the calculation to provide reporting on the CO2 equivalent (CO2e) to better match the reported emissions avoided into the atmosphere as a result of our recycling activities.

### **Emissions Sources Exclusions**

Emissions associated with heating and powering the Encorp head office are not included in the GHG inventory since the office is part of a shared lease facility for which heat and power is controlled centrally by the landlord.

Staff commuting to work in personal cars was excluded as this is considered to fall under the personal carbon footprint of the employee and Encorp has little control over where people choose to live. Staff commuting and travel on BC Ferries was also excluded as we were unable to quantify BC Ferry fleet GHG emissions for public.

Finally, emissions associated with the handling of materials outside of Encorp's core stewardship activities of deposit bearing beverage containers, such as milk cartons and electronics, were excluded since such activities fall out the scope of Encorp's core recycling stewardship activities for BC

## **Encorp Pacific Environmental Report**

### **Emissions Inventory Summary (tonnes CO2)**

Type of Emission	2011	2010
<u>Direct emissions</u> are emissions from sources that are owned or controlled by End	corp	
Employee travel - gas use	37	34
Indirect emissions occur as a consequence of the activities of Encorp, but are fro controlled by Encorp. Inclusions are emissions from purchased electricity consum depots, processors and transporters, as well as the transportation of the beverag transporters. ".	ned by Encorp	offices,
Offices (excluding head office)		
Purchased electricity in leased buildings Employee domestic air travel	5 16	16
Depots		
All purchased electricity in owned or leased buildings  All natural gas consumed in owned or leased buildings	86 66	104 68
All natural gas consumed in owned or leased buildings	00	00
Processors		
All purchased electricity in owned or leased buildings	44	40
All purchased gas consumed in owned or leased buildings	6	10
Transportation – depots to processors		ALC: NO.
Diesel fuel	4.149	4,172
Transportation – processors to end markets		
Diesel fuel	1,274	1,381
Rail (based on metric tonne km)	366	368

Sea Cargo (based on metric tonne km)	4.483	4,216
	here the second second	A STATE OF

### Total Emissions all sources

10.188 10,325

Note 1: 2010 avoided emissions were restated using WARM v. 12 to provide comparative baseline figures for performance evaluat

US EPA, Waste Reduction Model. Version 12 (02/12), US EPA. Solid Waste Management and Greenhouse Gases (Exhibits 2-3 to 2-6) were used to calculate 2011 and restate 2010 avoided emissions of CO2.

GHG Emissions from purchased electricity worksheet V 4 1. (Jun 2009) and GHG emissions from transport or mobile sources V 2 0 (Jun 2009) from the Greenhouse Gas Protocol Initiative were used to calculate emissions for 2011 and 2010.

\* All indirect emissions except for Office use were calculated based on the sample data provided by selected Depots. Processors, and Transporters. Electricity Intensity Table for BC provided for 2008 retrieved from http://www.ec.gc.ca/ges-ghg/default.asp?lang=En&n=EAF0E96A-1 on April 13, 2012

### **Emissions Reduction Strategies**

Encorp will continue to consider opportunities for GHG reductions and integrate environmental sustainability objectives in the annual operational plans and initiatives.

### Carbon Data Collection and Management

Encorp will continue working on improving the data collection process from all its suppliers to improve accuracy of the reporting for Scope 3 GHG emissions. Encorp will also evaluate other methodologies and tools available for calculation of the GHG emissions to ensure that region specific emissions factors are used in future years.

"Encorp's environmental reporting is outstanding. The information is relevant and concise and the presentation is user-friendly and easy to navigate. The reports are useful at many levels and really help clarify the real purpose of the beverage container recycling program."

Alan Stanley, Director of Environmental Services at Regional District of Kootenay Boundary

## **How the Collection System Works**

Consumers take their empty containers to a variety of places to collect the deposit refund, and the ensure they are recycled.

### **EMPTY NON-ALCOHOL CONTAINERS**



## EMPTY ALCOHOL CONTAINERS (except domestic beer bottles and beer cans)



**CORNER STORE** 

**RETURN-IT DEPOT** 



GOVERNMENT LIQUOR STORE



SUPERMARKET



0.4%

91%

85%

15% ALCOHOL

8.6% NON-ALCOHOL

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**BI-METAL** 



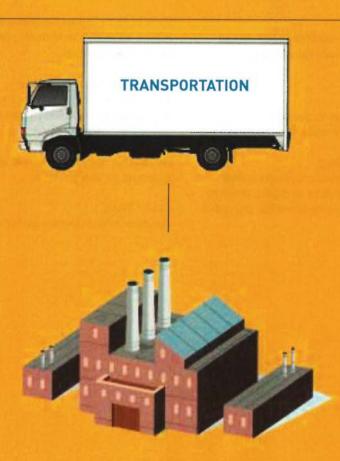
**PLASTIC** 



GLASS



POLYCOAT



ALUMINUM
To a remelt facility

To a remelt facility in the US

New Aluminum Cans

### **BI-METAL**

To a scrap metal processor in Vancouver

Rebar and Wire Fencing

### PLASTIC

To plastic recycling plants in Calgary and Vancouver

**New Containers** 

### **GLASS**

To glass recycling plants in BC, Alberta and Washington State

Wine Bottles, Fibreglass Insulation, and Sandblasting Material

### **POLYCOAT**

To a paper recycling mill

New Cardboard Boxes and Toilet Paper

## Follow the Money

### Commodity Prices and their Impact on Encorp

A portion of the cost of recovering aluminum and plastic containers, the two largest product categories, is covered by the value of the commodity collected. The prices received for these commodities are subject to market forces, and variations can have a significant financial impact on Encorp. In 2011, the commodity prices remained strong (reached its highest since 2009) for both aluminum and plastic at US\$0.80 and US\$0.32 respectively.

### Deposit Refunds

Paid to depots and grocery retailers to reimburse them for the deposits they have refunded to consumers.

### **Container Handling Fees**

Per-unit fees paid, in addition to deposit reimbursement, to depots for collecting containers.

### Transportation & Processing

Contracted trucking companies collect containers from depots and grocery retailers and take them to processors where they are compacted for shipment.

### Consumer Education & Awareness

Programs that encourage consumers to return containers for recycling.

### Administration

Management of contracts, collection of revenues and payment of expenses.

### **Unredeemed Deposits**

Encorp is paid a deposit on every container sold. Deposits unclaimed are used as revenue.

### Sale of Processed Containers

All the collected aluminum, plastic, glass, etc. is sold on the open market.

### **Container Recycling Fees**

When the revenue from unclaimed deposits and from sales of collected material are insufficient to cover the costs of recovering and recycling a specific container type, a non refundable recycling fee is added to the container to make up for the shortfall.

### Other Fees

Revenues from service provider contracts.

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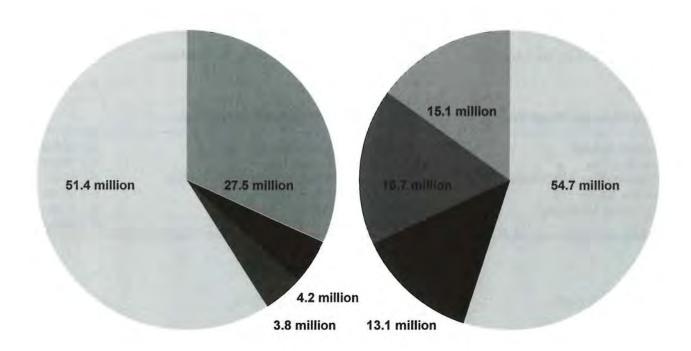
### Where the money is spent

## **EXPENDITURES**

Operations Expenses: 27.5 million
Handling Fees: 51.4 million
Consumer Awareness: 3.8 million
Administration Expenses: 4.2 million

# Where the money comes from REVENUES

Unredeemed Deposits: 15.1 million
Sale of Processed Containers: 16.7 million
Container Other Fees and Income: 13.1 million
Recycling Fees: 54.7 million



## Financing the System





### Plastic ≤ 1L Account

Deposits	18.4 Million		
Sale of Collectible Material	4.5 Million		
CRF	11.7 Million		
Other Revenue	0.2 Million		
Total Revenue	34.8 Million		
Total Expenses for this Container	32.1 Million		
Surplus	2.7 Million		

### **Total Expenses Breakdown**

Deposit Refund	13.5 Million
Handling Fee	13.2 Million
Transportation and Processing	3.8 Million
Administration	1.0 Million
Consumer Awareness	0.6 Million
	32.1 Million

### Wine & Spirits ≤ 1L Account

Deposits	7.3 Million
Sale of Collectible Material	0.0 Million
CRF	10.8 Million
Other Revenue	0.0 Million
Total Revenue	18.1 Million
Total Expenses for this Container	16.5 Million
Surplus	1.6 Million

### **Total Expenses Breakdown**

Deposit Refund	6.7 Million
Handling Fee	4.0 Million
Transportation and Processing	5.3 Million
Administration	0.4 Million
Consumer Awareness	0.1 Million
	16.5 Million

Surplus end of 2010	\$5.5 Million	Deficit end of 2010	(1.3) Million
Surplus 2011	\$2.7 Million	Surplus 2011	\$1.6 Million
Surplus end of 2011	\$8.2 Million	Surplus end of 2011	\$0.3 Million

Note: based on 2011 Financial Statements

Note: based on 2011 Financial Statements

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### **Aluminum**

Deposits	21.5 Million
Sale of Collectible Material	8.6 Million
CRF	8.7 Million
Other Revenue	0.2 Million
Total Revenue	39.0 Million
Total Expenses for this Container	34.7 Million
Surplus	4.3 Million
Total Expenses Breakdown	
Deposit Refund	18.1 Million
Handling Fee	12.1 Million
Transportation and Processing	2.8 Million
Administration	1.0 Million
Consumer Awareness	0.7 Million
	34.7 Million

Surplus end of 2010	\$5.5 Million
Surplus 2011	\$4.3 Million
Surplus end of 2011	\$9.8 Million

Note: based on 2011 Financial Statements



The recession had a significant negative impact on our revenues. On a positive note, our recovery of containers actually increased. At the end of 2009, our reserves created over the period of 2002 to 2006 had been depleted. Through prudent cash management, our day to day operations were not affected. We continued to handle all our obligations (\$2 million to \$3 million each week) without requiring any form of debt financing.

All our public education programs were maintained as were important research and development activities such as compaction and new generations of information technology. These results bring into sharper focus the importance of adequate reserves. Starting in the 3rd quarter of 2009 and through 2011, we have been rebuilding our reserves. The chart on page 60 demonstrates our progress.

## Our Reserves Frequently Asked Questions

These results bring into sharper focus the importance of adequate reserves. Here are the most frequently asked questions:

### Question: Why does Encorp need reserves?

Our weekly expenses paying for deposit refunds, handling fee payments to depots, transportation and processing must be met without interruption. The many small businesses that rely on our cash payments could not be viable if there was any kind of disruption or delay in our regular and predictable pattern of payments. However, our revenues are not as reliable as they depend on the volatility of the beverage and recycling markets. The reserves are the cushion we need to ride through the up and down cycles in these markets.

### Question: How does Encorp create reserves?

Each year we forecast the expected sales of beverages in the province and our rate of collection of containers to estimate our revenues and expenses. To ensure that we can cover our costs we determine the level of fees we will have to charge our brand owners. By setting the appropriate fees we can create, increase or decrease a reserve for each type of container. The individual container reserves combined represent our total overall reserves.

### Question: What size of reserve is required?

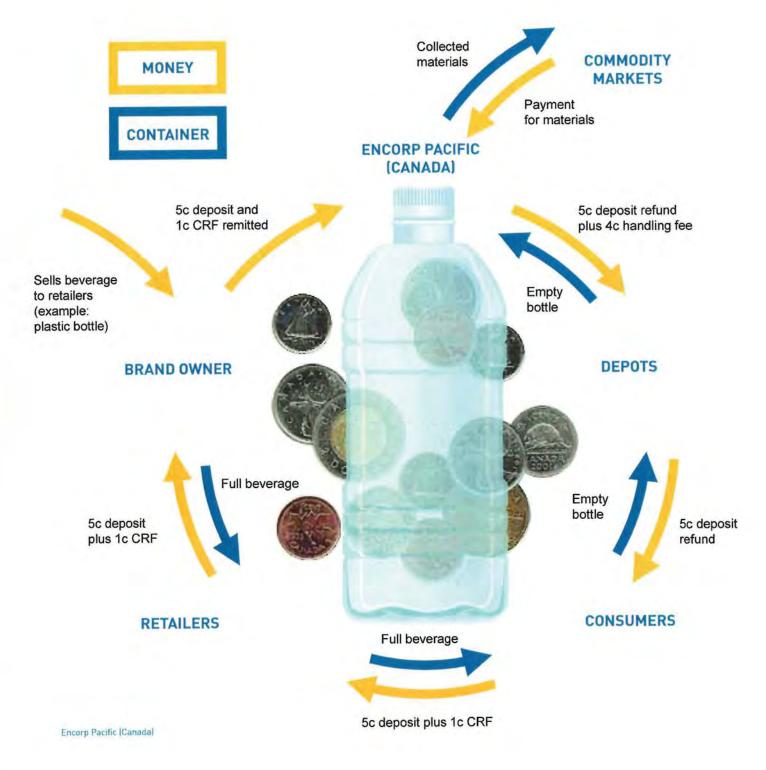
From experience, we should have a minimum reserve equal to at least 4-6 week's worth of the \$2-3 million per week outgoing cash payments. This cushion allows us to tolerate the cycles in the beverage and recycling markets.

## **Container Recycling Fees (CRF)**

Container Type	01-Feb-09	01-Oct-09	01-Feb-11
Aluminum	1.0 cents	2.0 cents	2.0 cents
Plastic ≤ 500 ml  Plastic 501 ml - 1L  Plastic > 1L	4.0 cents 4.0 cents 3.0 cents	4.0 cents 4.0 cents 5.0 cents	3.0 cents 3.0 cents 6.0 cents
Polystyrene	4.0 cents	4.0 cents	3.0 cents
Glass ≤ 500 ml Glass 501 ml - 1L Glass > 1L	7.0 cents 7.0 cents 7.0 cents	10.0 cents 10.0 cents 10.0 cents	12.0 cents 12.0 cents 15.0 cents
Bi-Metal ≤ 500 ml Bi-Metal 501 ml - 1L	-	1	3.0 cents 3.0 cents
Drink Boxes ≤ 500 ml Drink Boxes 501 ml - 1L	4.0 cents	4.0 cents	2.0 cents 6.0 cents
Gable Top > 1L	-		3.0 cents
Glass Wine & Spirits ≤ 1L Glass Wine & Spirits> 1L	12.0 cents 14.0 cents	14.0 cents 16.0 cents	15.0 cents 19.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤1L Non-Refillable Beer, Cider, Cooler Glass > 1L	8.0 cents 8.0 cents	10.0 cents 10.0 cents	11.0 cents 11.0 cents
Liquor Plastic ≤ 1L Liquor Plastic > 1L	4.0 cents 7.0 cents	4.0 cents 8.0 cents	4.0 cents 9.0 cents

The arrows show the direction of payments for deposits and container recycling fees (CRF) and the movement of a plastic bottle.

## **How Money Flows**



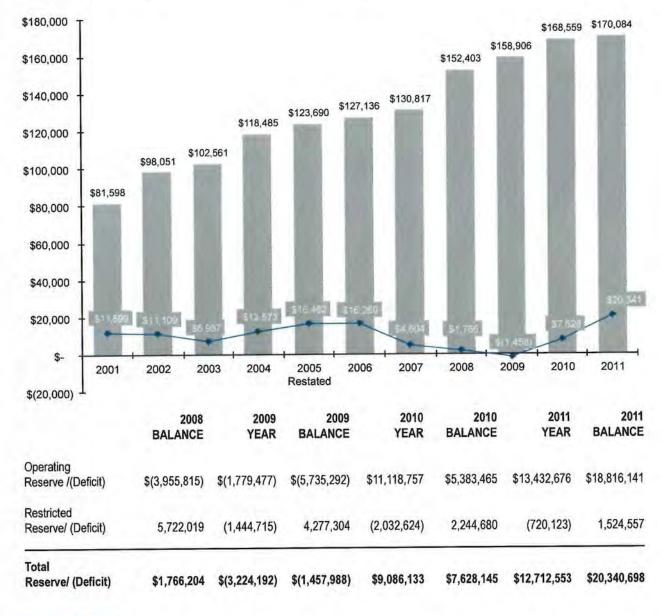


## Purpose of Operating Reserves

After all expenses are paid any funds remaining are placed into reserves. Encorp acts as a clearinghouse for the funds required to reimburse consumers for deposits and pay the costs of running the system. Encorp strives to maintain a minimum level of reserves to maintain the system's financial visibility over the long term. If these reserves build up beyond reasonable levels, actions are taken to bring them back into line.

These actions can include reduction or elimination of Container Recycling Fees until the reserve is reduced.

Or we can reduce the reserve by increasing spending on activities designed to improve the recovery rate for a specific container type. The table shows the changes in the reserves over the past years.



Encorp Pacific (Canada)

## Management of Operating Reserves

Encorp's financial model requires a reasonable level of operating reserves to provide stability to the system. When these reserves rise above the amount deemed to be reasonable, measures are taken to reduce them to the appropriate level.

As indicated in the chart, reserves were reduced and in fact depleted by the end of 2009. These reserves have been used to fund system costs that may otherwise have been reflected in consumer prices.

Encorp has been able to restore its operating reserves to an appropriate level by the end of 2011 and will continue to manage its operating reserves within an optimal pre-determined range over a span of three years.

	Gross	Revenue Including Deposits (million)	Total Expenses Including Deposit Refunds (million)	Results Surplus/(Deficit) (million)	Operating Reserves/ (Deficit) Year end (million)
2009		\$158.9	162.1	(3.2)	(\$1.4)
2010		\$168.6	159.5	9.1	\$7.7
2011		\$170.1	157.4	12.7	\$20.4

## Management's Responsibility for Financial Reporting

The financial statements of Encorp Pacific (Canada) have been prepared by management in accordance with generally accepted accounting principles in Canada. Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial statements are prepared in a timely manner.

Encorp Pacific (Canada) maintains a system of internal accounting and administrative controls. They are designed to test the adequacy and consistency of internal controls, practices and procedures. PricewaterhouseCoopers, the independent auditors appointed by the Board of Directors, have audited the financial statements of Encorp Pacific (Canada) in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and expresses an opinion on the financial statements of Encorp Pacific (Canada).

Neil Hastie Chief Executive Officer Bill Chan, CGA, MBA Chief Financial Officer

April 23, 2011

## Independent Auditor's Report

### To the Members of Encorp Pacific (Canada)

We have audited the accompanying financial statements of Encorp Pacific (Canada), which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Encorp Pacific (Canada) as at December 31, 2011, December 31, 2010 and January 1, 2010 and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian accounting standards for private enterprises.

(signed) PricewaterhouseCoopers LLP

Pricewaterhouse loopers UP

Chartered Accountants

May 14, 2012

## Statement of Financial Position

As at December 31, 2011

Assets	December 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
Current assets			
Cash and cash equivalents	28,244,114	15,625,272	8,045,307
Accounts receivable	6,571,464	6,597,418	4,808,032
Prepaid expenses and deposit	30,722	24,020	23,262
	34,846,300	22,246,710	12,876,601
Capital assets (note 4)	806,089	788,899	977,786
45.7.5	35,652,389	23,035,609	13,854,387
Liabilities			
Current liabilities			- 1.30 v 40 k
Accounts payable and accrued liabilities	7,490,323	7,873,887	7,586,260
Deferred revenue	7,007,636	6,953,700	7,530,223
urrent portion of obligations under capital lease (note 6)	386,117	235,810	77,031
	14,884,076	15,063,397	15,193,514
Obligations under capital lease (note 6)	427,615	344,067	118,860
	15,311,691	15,407,464	15,312,374
Net Assets			
Internally restricted reserve (note 5)	1,524,557	2,244,680	4,277,304
Unrestricted (note 5)	18,816,141	5,383,465	(5,735,291)
	20,340,698	7,628,145	(1,457,987)
	35,652,389	23,035,609	13,854,387

Commitments (note 7)

Approved by the Board of Directors

The accompanying notes are an integral part of these financial statements.

Director

Encorp Pacific (Canada)

# Statement of Changes in Net Assets For the years ended December 31, 2011 and 2010

			2011
	Internally restricted reserve	Unrestricted	Total
	\$	\$	\$
Balance - Beginning of year	2,244,680	5,383,465	7,628,145
Excess of revenue over expenses		12,712,553	12,712,553
Transfer from internally restricted reserve (note 5)	(720,123)	720,123	
Balance - End of year	1,524,557	18,816,141	20,340,698
			2010
	Internally restricted		
	reserve \$	Unrestricted \$	Total \$
Balance - Beginning of year	4,277,304	(5,735,291)	(1,457,987)
Excess of revenue over expenses	•	9,086,132	9,086,132
Transfer from internally restricted reserve (note 5)	(2,032,624)	2,032,624	. 4
Balance - End of year	2,244,680	5,383,465	7,628,145

The accompanying notes are an integral part of these financial statements.

# Statement of Operations For the years ended December 31, 2011 and 2010

	2011 \$	2010 \$
Revenue		
Deposits on containers	85,550,127	88,637,124
Deposit refunds	(70,492,350)	(73,511,315)
	15,057,777	15,125,809
Container recycling fees	54,684,227	55,541,226
Contract fees	12,607,595	10,721,017
Sale of recyclable materials	16,730,008	13,681,958
Other	274,846	133,666
	99,354,453	95,203,676
Direct operations expenses		
Handling fees	51,379,182	51,324,320
Depot operations	297,421	452,847
Transportation and processing fees	26,842,321	25,931,790
	78,518,924	77,708,957
Other expenses		
General and administrative	3,958,840	3,656,991
Consumer awareness	3,783,348	4,014,768
Amortization	617,854	580,898
Foreign exchange (gain) loss	(237,066)	155,930
	8,122,976	8,408,587
Excess of revenue over expenses	12,712,553	9,086,132

The accompanying notes are an integral part of these financial statements.

# Statement of Cash Flows For the years ended December 31, 2011 and 2010

2010	2011	
\$	\$	
(note 12)		
		Cash flows from operating activities
9,086,132	12,712,553	Excess of revenue over expenses
- 11		Items not affecting cash
580,898	617,854	Amortization
(10,296)		Gain on disposal of capital assets
9,656,734	13,330,407	Changes in non-cash operating working capital
(1,789,386)	25,954	Accounts receivable
(758)	(6,702)	Prepaid expenses and deposit
287,627	(383,564)	Accounts payable and accrued liabilities
(576,523)	53,936	Deferred revenue
7,577,694	13,020,031	
		Cash flows from investing activities
(414,050)	(635,044)	Purchase of capital assets
32,335		Proceeds from disposal of capital assets
(381,715)	(635,044)	Cash flows from financing activities
560,346	539,585	Advances under capital lease financing
(176,360)	(305,730)	Repayment of obligation under capital lease
(170,300)	(303,730)	repayment of congation under capital lease
383,986	233,855	
7,579,965	12,618,842	Increase in cash and cash equivalents
8,045,307	15,625,272	Cash and cash equivalents - Beginning of year
15,625,272	28,244,114	Cash and cash equivalents - End of year
		Supplemental cash flow information
28,354	27,323	Interest paid

The accompanying notes are an integral part of these financial statements.

December 31, 2011 and 2010

#### 1 Operations

Encorp Pacific (Canada) (the Corporation) was incorporated without share capital pursuant to Part II of the Canada Corporations Act on October 1, 1998. The Corporation is exempt from income taxes and carries on its operations without monetary gain to its members.

The Corporation has been appointed by participating brand owners to carry out its duties pursuant to the terms of the Recycling Regulation of the Environmental Management Act of British Columbia.

Under this appointment, the Corporation acts to develop a Stewardship Plan in the form prescribed by the Recycling Regulation for the collection and management of containers for and on behalf of the brand owners in an efficient, cost-effective, and socially and environmentally responsible manner. The appointment also allows the Corporation to establish charges for its services as required to generate fees sufficient to meet its current and future financial requirements, including deposit refunds and operating costs.

The objectives of the Corporation are to promote and facilitate the recycling of used beverage containers in British Columbia through education, public awareness and management of the Recycling Regulation. Although an excess or deficiency of revenue over expenses may occur on an annual basis, the Corporation's long-term goal is to operate on a cost recovery basis.

Under contract, the Corporation also provides material handling with respect to recycling of dairy containers and certain consumer electronics.

## 2 Transition to Accounting Standards for Private Enterprises in Canada

On January 1, 2011, the Corporation elected to adopt Canadian accounting standards for private enterprises (ASPE) as issued by the Canadian Accounting Standards Board with a transition date of January 1, 2010.

Section 1500 of these standards, First-time Adoption, requires that the accounting policies selected under this framework be applied retrospectively for comparative purposes, and that the resulting amount of each charge or addition to retained earnings at the date of transition be disclosed. The Corporation is required to provide a reconciliation of the excess of revenue over expenses reported in the most recent previously issued financial statements to the excess of revenue over expenses under ASPE for that year.

This standard also allows for elections and exemptions which preclude certain standards from being applied retrospectively to transactions or events occurring prior to January 1, 2010. The following elections were made by the Corporation on transition to ASPE:

- The Corporation has elected to continue to measure capital assets at their historical values.
- The Corporation has elected to not designate any financial asset or liability to be measured at fair value at January 1, 2010.
- The Corporation has elected to apply ASPE relating to related party transactions prospectively from January 1, 2010.

As a result of adopting these standards, there are no changes to retained earnings at January 1, 2010 and no differences in the excess of revenue over expenses or cash flows previously reported.

Encorp Parilie (Comana)

December 31, 2011 and 2010

#### 3 Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, incorporating the following significant accounting policies:

#### Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with a maturity date of three months or less from the date of acquisition.

#### Revenue

Deposits on containers and container recycling fees are collected by brand owners on beverage containers sold in the province of BC. The Corporation records revenue from deposits on containers net of deposit refunds, and container recycling fees as services are provided in relation to its obligations under the Stewardship Plan. Deposits and container recycling fees are recognized when there is reasonable assurance of collection, and the related services have been performed.

Recyclable materials revenue is recorded when the containers are shipped to recyclers.

Contract fees are recorded when the services are provided.

#### Deferred revenue

The Corporation defers revenue related to deposits and container recycling fees received prior to year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid for container returns subsequent to year-end. The amount deferred is estimated based on the industry average rate of recovery. The determination of such a deferral is subject to estimates that reflect management's determination of the most probable set of economic conditions, including the estimated turnaround time for consumers returning used beverage containers for refunds. The turnaround time is estimated to be 7.5 weeks. A change in the estimated turnaround time could result in a material adjustment to revenue and deferred revenue.

#### Direct operations expenses and other expenses

Handling fees to depots and transportation and processing fees are recorded on the date the containers are collected by transporters. Other expenses are recorded as they are incurred.

#### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Exchange differences are included in income as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

December 31, 2011 and 2010

#### Capital assets

The Corporation records capital assets at cost less accumulated amortization. Amortization is calculated as follows:

Office equipment 5 years straight-line
Computer hardware 3 years straight-line
Computer software 3 years straight-line
Leasehold improvements 3 - 5 years straight-line

In accordance with Section 4400 of the Canadian Institute of Chartered Accountants (CICA) Handbook Part III, the Corporation does not separately disclose the net assets invested in property and equipment.

#### Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to ownership of the property is classified as a capital lease. At the inception of a capital lease, an asset and obligation are recorded at an amount equal to the present value of the lessee's minimum lease payments or the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases and lease payments are expensed as incurred.

#### Use of estimates

A precise determination of many assets and liabilities is dependent upon future events, and therefore, the preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Areas requiring significant estimates include deferral of container deposits and container recycling fees received prior to the year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid subsequent to the year-end.

#### Financial instruments

The Corporation applies the CICA Handbook Section 3856, Financial Instruments. This section provides comprehensive requirements for the recognition and measurement of financial instruments. Financial instruments comprise cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and obligations under capital lease.

Financial instruments are recorded on initial recognition at fair value. Subsequent to initial recognition, the Corporation records all financial instruments at amortized cost. Transaction fees are expensed as incurred.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

December 31, 2011 and 2010

## 4 Capital assets

		2011
	Accumulated	
Cost		Net
\$	\$	\$
580,288	367,611	212,677
1,834,526		502,735
439,393	418,133	21,260
207,266	137,849	69,417
3,061,473	2,255,384	806,089
		2010
Cost	Accumulated	NI
\$	\$	Net \$
367.424	303.007	64,417
		599,589
438,132	313,239	124,893
122,266	122,266	
2,426,428	1,637,529	788,899
	580,288 1,834,526 439,393 207,266  3,061,473  Cost \$ 367,424 1,498,606 438,132 122,266	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$

Computer hardware and office equipment with a cost of \$1,390,491 (2010 - \$786,344) and accumulated amortization of \$791,391 (2010 - \$332,442) are financed under capital lease.

## 5 Internally restricted reserve and unrestricted balance

The Board of Directors has established an internally restricted reserve in recognition of the principle that the costs of recycling each container type are to be borne independent of other container types. The objective of the reserve is to defer the implementation of the container recycling fee on container types for which the current unredeemed deposits exceed the net costs of recycling. The reserve level is reviewed annually. The reserve may also be used to develop and implement strategies to improve recovery rates of these specific containers. As a result of the annual review, an amount of \$720,123 (2010 - \$2,032,624) was transferred from the reserve during the current year.

December 31, 2011 and 2010

#### 6 Obligations under capital lease

Total minimum payments required under capital leases are as follows:

	\$
2012	411,859
2013	286,493
2014	155,348
	853,700
Less: Imputed interest (rates vary from 4% to 6%)	39,968
Present value of minimum capital lease payments	813,732
Less: Current portion	386,117
Long-term portion	427,615

Interest of \$27,323 (2010 - \$28,354) relating to capital lease obligations has been included in depot operations and general and administrative expense.

#### 7 Commitments

The Corporation has entered into operating leases for its premises. The total future minimum lease payments for the next five years are as follows:

	\$
2012	304,110
2013	312,139
2014	302,441
2015	221,930
2016	226,285
	1,366,905

## 8 Government related outstanding amounts as at December 31

Government remittances consist of amounts (such as sales taxes and Workers Compensation Board remittances) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, \$19,625 (2010 - \$8,928) is included within accounts payable and accrued liabilities.

December 31, 2011 and 2010

#### 9 Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of the instruments. The obligations under capital lease are of a long-term nature and, as such, are impacted by changes in market yields, which can result in differences between carrying value and market value. Management estimates that these differences are not material and the carrying amount approximates fair value.

#### 10 Related parties

The Corporation owns 100% of Encorp Pacific Inc. (EPI), an incorporated company. EPI is inactive and its balance sheet is as follows:

Cash 2 Shareholder's equity 2

During the year, the Corporation paid \$115,238 (2010 - \$119,055) in Board expenses, which comprise fees for directors and reimbursement of expenses.

\$

## 11 Currency, interest rate and credit risk management

#### Foreign currency risk

The Corporation is exposed to foreign exchange risk through its cash, accounts receivable and accounts payable that arise on sales of recyclable materials denominated in US dollars. At December 31, 2011, the net US dollar exposure on cash, accounts receivable and accounts payable was US\$2,182,946 (2010 - US\$1,995,988).

#### Interest rate risk

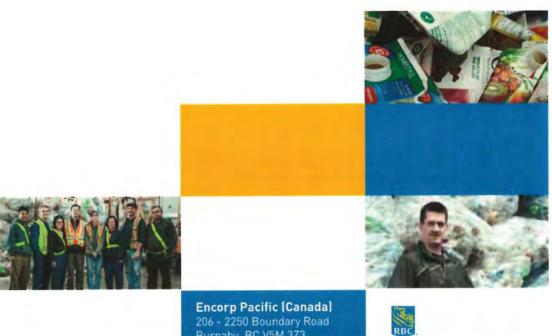
The Corporation is not exposed to significant interest rate risk. Obligations under capital lease bear fixed rates of interest.

#### Credit risk

Accounts receivable consist of amounts outstanding from brand owners and material recyclers. The Corporation monitors the creditworthiness of brand owners and material recyclers to minimize the risk of loss.

#### 12 Comparative information

Certain comparative figures have been reclassified to conform with the current year's presentation.



Encorp Pacific (Canada) 206 - 2250 Boundary Road Burnaby, BC V5M 3Z3 1-800-330-9767



Subject	[2012-05-28] 168357 RE: Recycling Fee Fraud
From	Minister, ENV ENV:EX
Ta	s.22
Sani	Thursday, June 28, 2012 4:21 PM

Reference: 168357

June 28, 2012

s.22

Dear s 22

I am writing to follow up on my email of May 22, 2012, in response to your emails of May 6, 11 and 17, 2012, regarding fees charged for beverage containers.

Tunderstand you are upset about what you believe to be a fraudulent charge on your receipt from a licensed vendor in Kamloops, British Columbia (BC).

As the industry stewardship agency for producers of non-alcoholic beverage containers, Encorp Pacific (Canada) sets the level of any fees associated with their stewardship program. For questions about the level of fee you were charged I encourage you to contact Encorp directly. Contact information is available online (Section 2014)

For advice on requirements for retailers to provide documentation on consumer transactions, you may wish to contact Consumer Protection BC. Contact information and other resources can be found on their website (www.contact.com/protection/pc/).

To provide some background on this issue, the BC Recycling Regulation (the Regulation) requires producers to set up province-wide collection and management programs for products they produce or sell in BC. Examples of products regulated under the Regulation include beverage containers, used labricating oil, paint, pharmaceuticals, solvents and flammable liquids, pesticides, tires and electronic and electrical products. For beverages sold in containers sealed by their manufacturer, the Regulation also requires that sellers collect refundable deposits on containers of all ready-to-drink beverages except milk and milk substitutes.

Since the Regulation requires producers to collect and manage their products, some producers have chosen to add a fee at the point of sale to cover this cost. These environmental handling fees are industry charges that are not set by, nor remitted to, government. If producers choose to charge a fee they must prepare and submit independently audited financial statements in their annual report to the BC Government, which can be found on the Ministry of Environment website (which the point of the

Thank you again for writing to express your concerns regarding recycling fees.

Sincerely,

Terry Lake Minister of Environment

From: S.22
Sent: Sunday, May 6, 2012 9:23 PM
To: Minister, BW BW:BX
Subject: Fw: Recycling Fee Fraud

Dear Mr. Minister I have today puchased merchansise from a licenced vendor in the city of Kamloops, authorised by law to collect "deposit " and "Recycling Fee", and being required by law to remit same to a "quote - unquote" government office or the eco fee office. In any case. My question are those.

Who do I advise that said vendor has illegally charged 30 cents recycling tee for a one fitre size plastic container?

When I advised her of the correct value of just 3 cents, she refused to correct it because the computer calculates it. Nor did she offer to call a senior supervisor. When I asked to critically examine the safes bill and it's calculation, the safes clerk said I would have to pay first. Having paid, I examined the bill, advised her of the problem again and the clerk again refused to adjust. Therefore, I consider myself to have been illegall charged an amount not proscribed by set of law, therefore said vendor committed fizud.

#### (Interruption)

To add injury to insult, when I advised her that I refused acceptance of the paid merchandise and wanted to return same, she entered information into her till, generated tape listed information of the return, and merked the original tape. When I advised her that I was not leaving the store without proper confirmation that my Visa Card was to be credited with the proper amount, with great indignation said she would get a photo copy of the "store"s copy of the transaction, which she did.

Are not vendors legally required to give customers copies of their transaction(s).?

I have since advised said vendor and they are to advise me of their legal counsel.

in the mean time, I will await your reply to my two questions.

Yours truly

s.22



July 3, 2012

Mr. David Ranson Director, Environmental Standard Branch Ministry of Environment P.O. Box 9341, Stn Prov Govt Victoria, BC V8W 9M1

Dear Mr. Ranson:

Pursuant to s. 8(1) and s. 8(2) of the *Recycling Regulation*, please find enclosed a copy of BDL's 2012 Annual Report (covering calendar year 2011) and the Test Procedure Results, completed by S.T. Yeung Professional Corporation. Electronic copies of both documents were sent to you by e-mail on June 28, 2012.

Sincerely,

Brian Zeiler-Kligman, M.A., LL.B.

Director, Sustainability Canada's National Brewers

Direct: 905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy



## Brewers Distributor Limited 2011 Stewardship Annual Report

Covering the Period: January 1, 2011 -December 31, 2011



	The second secon	
Submitted to:	Director of Waste Management	
	<b>Environmental Quality Branch</b>	
	Ministry of the Environment	
	P.O. Box 9341, STN PROV GOVT	
	Victoria, B.C. V8W 9M1	

Prepared by: Canada's National Brewers # 1106-750 West Pender Street Vancouver, British Columbia

V6C 2T8

Date: June 29, 2012

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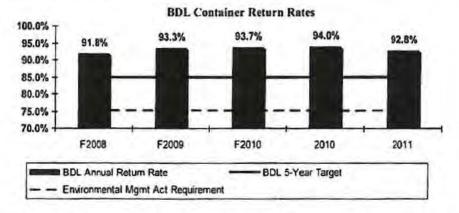
#### 2011 BDL Program Highlights

- · 554 million beer containers collected
  - o Return Rate of 93% for all beer containers
- 1,277 return locations
  - Beer containers can be returned for refund at all BC Liquor stores, all private liquor stores and private bottle depots
- Over 50 manufacturers with containers managed under BDL's product stewardship system
- 24 B.C. breweries using refillable beer bottles
  - Includes 13 breweries using the industry standard refillable bottle
- · 120 million refillable beer bottles collected
  - o Return rate of 94.5%
  - Bottles refilled an average of 15 times before being recycled into new glass bottles
- 433 million beer cans collected
  - o Return rate of 92.3%
  - o Aluminum cans recycled into new aluminum cans
- Over 44,000 tonnes of packaging diverted from B.C. landfills
- Greenhouse gas emission reductions equivalent to taking 13,600 cars off BC roads and highways

#### 1. Executive Summary

In calendar year 2011, the Brewers Distributor Limited (BDL) product stewardship program continued to generate outstanding results. Its overall container return rate reached 92.8%, a slight decline from calendar year 2010. BDL's principal performance return rate target of 85% was exceeded in all product categories.

For over 80 years, B.C. Brewers have demonstrated leadership in product stewardship by sustaining high container return rates for the province of British Columbia, recovering their containers well before a deposit-return system was mandated by the BC Government. For example, BDL's return rate of 92.3% on beer cans is one of the highest return rates for this type of packaging in North America. BDL's average overall return rate over the last five years is over 93%.



Use of reusable containers and the diversion of recyclable materials from landfill avoids unnecessary consumption of energy and related greenhouse gases and pollution. In 2011, the BDL product stewardship system helped avoid the generation of 69,326 tonnes of CO2 emissions – equivalent to taking about 13,600 vehicles off of B.C. roads and highways.

Consumer convenience remains a key attribute of the BDL product stewardship system. In total, the BDL container management system offers consumers 1,277 return locations (as of December 31, 2011). These locations include government liquor stores, rural agency stores, private retail liquor stores and private bottle depots.

<sup>&</sup>lt;sup>1</sup> In Canada, only the province of Saskatchewan reports higher return rates for aluminum cans than BDL's stewardship program has delivered in the last few years. In the United States, while select deposit states generate high return rates, recycling rates for aluminum cans in most states is well below fifty percent. See Who Pays What 2010: An Analysis of Beverage Container Recovery and Costs in Canada by CM Consulting for a summary of provincial container return rates

#### 2. Program Outline

In addition to distributing the majority of beer for sale in British Columbia, BDL collects refillable glass beer and cider bottles and imported & domestic beer cans sold in British Columbia. These containers include the industry standard brown refillable glass beer bottle, non-standard refillable glass beer bottles, refillable cider and cooler glass bottles and aluminum beer cans. BDL does not collect non-refillable glass beer bottles (import beer) – Encorp Pacific acts as the steward for these non-refillable containers. BDL also distributes and collects beer kegs.

Breweries and other beverage manufacturers represented under the product stewardship component of BDL's operations include all breweries operating in the province and imported brewers who designate BDL as their product steward when they obtain Liquor Distribution Branch approval to sell brands in cans. For a list of brewers and other manufacturers covered under the plan, see Appendix A.

BDL is a joint venture company, owned by Molson Coors Canada and Labatt Brewing Company Ltd., which distributes beer and maintains product stewardship responsibilities throughout Western Canada. In British Columbia, BDL's product stewardship functions are funded by fees set by the British Columbia Brewers' Recycled Container Collection Council (the Council), a not-for-profit society comprised of domestic beer industry representatives. These fees are set on a cost-recovery basis and are internalized to brewers – they are not levied on the consumer as a charge in addition to the retail price.

Council member companies collectively represent over 95 percent of beer sold in the

province and include a cross section of large and small brewing interests. The Council was established to provide transparent management of BDL's financial, regulatory and logistical product stewardship requirements.

operates warehousing distribution facilities throughout British Columbia and distributes beer to all types of provincial liquor stores, government-run including Liquor Distribution Branch (LDB) outlets, private licensee retail stores (LRS) and LDB rural agency stores (private businesses authorized by the LDB to sell liquor with other goods in smaller or remote communities) as well as bars, restaurants, cabarets and other licensed establishments.



As the province's primary beer distributor, BDL is ideally placed to operate an efficient closed loop product stewardship system. BDL delivers full goods to over 4,000 retail locations and licensed establishments and picks up empty containers on the same trips. Combining product delivery with container pickup minimizes the number of trucks on the road and reduces BDL's carbon footprint. This convenient and efficient system helps to reduce costs to consumers and improve return rates.<sup>2</sup>

Consumers can return beer containers to the retail locations where beer is purchased or to private bottle depots. BDL refunds to each of these return locations the full deposit paid by the consumer on the container, with BDL's recovery rate for the calendar year determined on the basis of audited statements for deposits collected and refunded in the calendar year. BDL has contractual arrangements with a number of private liquor retail stores and private bottle depots to collect and sort BDL containers. These contracts commit BDL collection partners to accept unlimited consumer returns when they collect BDL containers ("unlimited return locations").

Refillable bottles collected by BDL are returned to manufacturers for cleaning and reuse. They are reused an average of 15 times. Refillable bottles accounted for approximately 22% of the containers BDL managed in 2011.

Beer sold in aluminum cans accounted for approximately 78% of the containers BDL collected in 2011. Aluminum cans are compressed and sent to ALCOA in the United States to be recycled into new cans and other products.

Aluminum kegs are collected from licensees and returned to brewers for refilling. Draught beer kegs are reusable and can last for up to 50 years. Kegs, at the end of their lifecycle, are crushed and recycled.

BDL's product stewardship system is funded by: fees paid by brewers based on their container volumes; the unclaimed portion of consumer deposits on containers; container recycling fees (charged internally to manufacturers, not as an additional charge to the consumer); and revenues BDL obtains on the sale of collected materials, such as aluminum. In 2011, the BDL container recycling fee applied to cans was \$0.02 per can.<sup>3</sup>

Brewers' environmental stewardship goes beyond the regulated container collection system as 100% of brewer packaging is reusable or recyclable. Information on BDL's product stewardship system can be found at <a href="https://www.beerbottlerefund.com">www.beerbottlerefund.com</a>.

This fee was reduced to \$0.00 per can on April 29, 2012. There is no container recycling fee for glass bottles

<sup>&</sup>lt;sup>2</sup> The reverse logistics of BDL's container management system do not pertain to containers collected from empty bottle depot locations, as BDL does not deliver full goods to these private, independent businesses.



## 3. Educational Materials and Strategies

BDL continues to enjoy strong consumer awareness of, and satisfaction with, its stewardship program. In 2011, BDL undertook significant stakeholder and public promotion and education activities.

Whereas in the past few years, the focus of these initiatives has been on improving consumer information about container return options, starting in 2012, BDL will place greater emphasis on educating stakeholders, including the public, about how BDL's product stewardship system operates and the environmental benefits and performance it delivers for BC residents. BDL believes that once stakeholders have a better understanding of program performance, they will become ambassadors of the program, driving greater awareness and participation, as BDL strives to achieve higher recovery rates.

In late 2011, Canada's National Brewers (CNB) – the trade association representing BDL's shareholders – hired its inaugural Director of Sustainability. The creation of this role is a reflection of the brewers' continued commitment to responsible production, incorporating sustainability into all facets of their operations, including the collection, reuse and recycling of containers.

While this role is national in scope, BC is one of the focus areas for this position. Among other activities, CNB's Director of Sustainability will work with the public and with stakeholders to raise awareness about BDL's product stewardship program. BDL is looking to renew existing relationships and to create a number of new relationships. The Director of Sustainability's outreach activities will continue into 2012.

In line with commitments in its 5-year stewardship plan, BDL conducted a consumer survey in March 2011, which received over 1,250 responses. The poll revealed that 98% of consumers are aware of the deposit on beer container purchases. Over 90% of consumers expressed high satisfaction with the return options available to them. As well, the poll showed that 99% of beer consumers ensure that their containers are reused and recycled, with those not directly returning containers donating them to bottle drives and other collectors.

Brewers continued their sponsorship of, and participation in, various recycling conferences and initiatives. BDL sponsored RCBC's annual conference in Whistler, as well as funding RCBC's recycling hotline (for the 12th consecutive year) and its Recyclepedia app. In addition, BDL sponsored the Coast Waste Management Association's Annual Conference in Victoria. BDL is also engaged with other stewards, sharing information and promoting best practices, through the Stewardship Agencies of BC. BDL also partnered with other stewards in the development and distribution of a brochure detailing the stewardship programs in BC.

BDI. continued its communication partnership in support of the deposit-return system with private liquor stores through their industry association, the Alliance of Beverage Licensees of British Columbia (ABLE BC). ABLE BC regularly informs its members of the partnership through newsletters, publications and surveys. BDI. continues to provide its collection partners with point-of-sale signage to let consumers know of unlimited return locations and continues to run the website beerbottlerefund.com (url recently changed to <a href="https://www.envirobeerBC.com">www.envirobeerBC.com</a>). A review of the website will take place in 2012.

#### 4. Collection System Information

Consumers can redeem BDL containers at multiple locations, including:

- \* BC Liquor Distribution Branch stores:
- Licensee Retail Stores (163 LRS stores are under contractual agreement with BDL to accept unlimited returns and all LRS are required to provide full refund deposits);
- Private Bottle Depots (all depots are legally obligated to provide consumers with a full refund of deposits paid; BDL has arrangements with 84 private bottle depots);
- \* LDB authorized agency stores (businesses in smaller or remote communities that are authorized by the LDB to sell liquor with other goods);
- \* BDL also collects containers from licensed establishments (i.e. bars and restaurants).

BDL continues to enhance its contracted container return network. Seventy-eight percent of BC residents are within 2 km of a contracted return location. With respect to smaller communities and rural areas, BDL could not identify any communities in British Columbia without at least one BDL contracted return location within 15 km. This network of collection partners has doubled over the five-year stewardship plan period.

Table 1: BC Container Redemption Locations for Beer Containers

Return Locations	March 2007	March 2008	March 2009	March 2010	Dec 2010	Dec 2011	Change F07-2011	Percent Change
Private Bottle Depots	170	170	170	177	177	178	+ 8	4.7 %
Licensee Retail Stores	631	654	676	670	655	658	+ 27	4.3 %
Government Liquor Stores	201	199	197	197	197	210	+ 9	4.5 %
Rural Agency Stores	230	228	227	224	229	231	+1	0.4 %
Total	1232	1251	1270	1268	1258	1277	+ 45	3.7 %

Reveres	2011 BC Product
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Property and	are many country accounts are faced a

#### 5. Recovery Rates

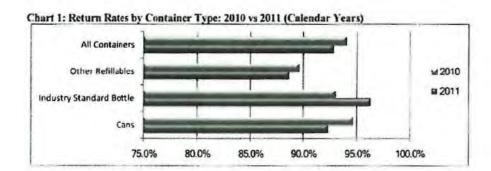
Table 2: BDL Container Recovery Rates: 20114

19.75	China	Banderd Bonte (150)	Non-ISH Reliable Bottle	Total
Sales Dozens	39,143,599	8,124,640	2,489,517	49,757,756
Returns Dozens	36,122,573	7,824,478	2,208,548	46,155,599
Neturn Rates 2010	92.28 %	96.31%	88.71%	92.76 %

BDL return rates in all product categories exceeded the 85% performance target established under its 5-year plan and are well in excess of the 75% target mandated under Environmental Management Act regulations.

In 2011, BDL collected 554 million containers under its product stewardship program and its overall container return rate was 92.8%.

This is the fourth consecutive year that the overall return rate has exceeded 92%. Return rates for cans and non-ISB refillable bottles decreased slightly in 2011 dropping by 2.3% points and 0.9% points respectively. The return rate for ISB refillable bottles increased by 3.3% points in 2011.



<sup>&</sup>lt;sup>k</sup> Container data reviewed and tested by S.J. Yeung Chartered Accountant Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch

Table 3: Estimate of Unit Returns and Tonnes Diverted by Regional District<sup>5</sup>

Regional District		Alumianos	Glass	Total
Alle sout Classes	Units (000)	2,997	832	3,829
Alberni-Clayoquot	Tonnes	41	221	262
TO THE REAL PROPERTY.	Units (000)	3,461	961	4,423
Hulkley-Neckakie	Tonnes	47	255	302
Combat	Units (000)	36,917	10,254	47,171
Capital	Tonnes	504	2,721	3,225
Carthoo	Units (000)	6,109	1,719	7,908
Caribon	Tonnes	84	456	541
Central Coast	Units (000)	280	78	358
Central Coast	Tonnes	4	21	24
Central Kontenay	Units (000)	5,811	1,614	7,425
The state of the s	Tonnes	79	428	508
Control Oleana	Units (000)	17,930	4,980	22,910
Central Okanagan	Tonnes	245	1,321	1,566
Columbia-Shurwap	Units (000)	5,203	1,445	6,648
Columnia-Suurwap	Tounus	71	183	454
C	Units (000)	6,250	1,736	7,986
Comox Valley	Tonnes	85	461	546
	Units (000)	7,897	2,193	10,090
Cowichen Valley	Tonnes	108	582	690
A CONTRACTOR OF THE	Units (000)	5,753	1,598	7,351
East Kootenay	Tonnes	79	424	502
	Units (000)	26,039	7,232	33,271
Fraser Valley	Tours	355	1,919	2,274
Consens Point Consens	Units (000)	8,914	2,476	11,390
Fraser-Fort George	Tonnes	122	657	779
Citimat-Stildne	Units (000)	3,499	972	4,471
Victoriat-Schride	Tonnes	48	258	306
Vantanau Paus de	Units (000)	3,115	865	3,980
Kootenay Boundary	Tonnes	43	230	272
Metro Vancouver	Units (000)	227,572	63,208	290,780
Metria Autrostant	Tonnes	3,107	16,771	19,878
Mount Waddington	Units (000)	1,095	304	1,399
Mount Waddington	Tonnes	15	81	96

<sup>&</sup>lt;sup>1</sup> Unit returns and tonnes diverted have been estimated from provincial totals based on Regional District populations and their proportion to the provincial total (source www.bestats.gov.bc.ca). BDL does not compile sales or collection information by Regional District.

Brewers	- FE		2011 BC Product
Distributor Ltd.			Stewardship Annual Report

Table 3: Estimate of Unit Returns and Tonnes Diverted by Regional District

Regional District	1000	Aluminom	Glass	Total
Namaimo	Units (000)	14,835	4,121	18,956
Mananto	Tonnes	203	1,093	1,296
North Diomagan	Units (000)	7,946	2,207	10,153
Martin Division and an artist of the second	Tonnes	100	506	694
Northern Rockies	Units (000)	530	147	678
NOT WELL WOCKIES	Tonnes	7	39	46
Okanagati-	Units (000)	0,272	2,298	10,570
Simillamen	Tonnes	113	610	723
Peace River	Units (000)	5,562	1,545	7,107
Peace River	Tonnes	76	410	486
Name of Street, or other party of the last	Unita (000)	2,004	557	2,561
Powell River	Tonnes	27	148	175
Skeena-Queen	Units (000)	1,765	490	2,255
Charlotte	Tonnes	24	143	168
Ch am	Units (000)	3,750	1,042	4,792
Squamish-Lillour	Tonnes	\$1	276	328
Cattata Banton	Units (000)	102	28	130
Stikine Region	Tonnes	1	7	9
AND DESCRIPTION OF THE PARTY OF	Unita (000)	4,216	1,171	5.387
Stratiscona	Tonnes	58	311	368
	Units (000)	2,970	825	3,794
Sunshine Coast	Tonnes	41	219	259
PURCHUTER SES	Unity (000)	12,598	3,499	16,097
Thompson-Nicola	Temes	172	928	1,100
	Units (000)	433,471	120,396	553,867
Total	Tonnes	5,918	31,944	37,862

Based on a provincial population of 3.61 million people age 19 and over, the per capita return rate for the province was 153.4 BDL containers per person or about 13 cases<sup>6</sup> of beer.

The number of beer containers sold under the BDL plan declined by 1.3 % in 2011. Can container sales actually increased by 2% and sales in refillable bottles dropped by 12%. Consequently, BDL tonnage diversion totals declined in 2011, with glass diversion tonnage down over 3,000 tonnes or 9.3%.

<sup>&</sup>lt;sup>6</sup> A case contains a dozen containers.



#### Other Packaging Materials:

In addition to managing the containers designated under its product stewardship plan, BDL also sells and collects beer kegs and collects and facilitates recycling with respect to a number of secondary packaging materials, including cardboard cases, can flats and plastic shrink wrap. This means that BDL has been operating consistent with the intent of Schedule 5 (an incoming Schedule under the *Recycling Regulation* covering printed paper and packaging) for decades prior to its enactment.

#### BDL Keg Sales:

In 2011, BDL sold approximately 360,000 kegs, primarily to licensed establishments. Given the efficiencies of the closed loop system related to keg sales, return rates are extremely high for these containers with a return rate of 99.1% in 2011. The volume of beer represented by these kegs is equivalent to over 5.1 million cases of packaged beer. The volume of beer sold in kegs is equivalent to diversion of approximately 900 tonnes of aluminum or 16,900 tonnes of glass bottles.

#### Cardboard and other secondary packaging:

Estimates for 2011 indicate that BDL collected and diverted approximately 1,846 tonnes of cardboard. BDL is working on the development of a monitoring and reporting process that will enable the estimation of return rates related to these packaging streams and facilitate compliance with Schedule 5.

Total BDL landfill diversion equates to approximately 44,025 tonnes.

Table 4: BDL BC Landfill Diversion Summary

Material	Tonnes Diverted
Aluminum <sup>7</sup>	5,918
Glass <sup>8</sup>	31,994
Cardboard	1,846
Plastic	na
Keg Packaging Equivalent <sup>9</sup>	4,267
Total	44,025

Aluminum tonnes diverted represents the weight of BDL shipments to aluminum processors.

Glass tonnes diverted represents the weight of glass bottles shipped by BDL to brewers for refilling and reuse plus the weight of ISB bottles culled and sent to a glass recycling facility for recycling.

Keg equivalent packaging diversion based on the current package split for bottles and cans related to BC BDL beer sales.

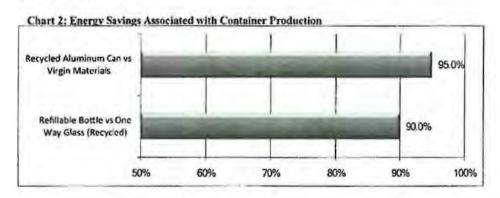
#### 6. Life Cycle Management

The BDL product stewardship system embodies several key elements of a successful life cycle management process. The system is fully funded by brewers and their consumers, as all costs associated with managing beer containers are incorporated into the price of the product. Extended producer responsibility ensures that brewers have incentives to manage containers and packaging as efficiently as possible.

BDL's closed loop transportation system minimizes transportation costs associated with retrieving empty containers from retailers. Return-to-retail collection, which is convenient for consumers, also encourages high return rates. Finally, brewers design their packaging, particularly for refillable bottles, to serve several functions over its lifecycle, making the overall product stewardship system very efficient.

BDL's distribution practices also support the use of refillable containers, such as kegs and glass bottles. Given that refillable beer bottles can be utilized an average of 15 times, the use of refillable beer bottles in British Columbia avoids the production of approximately 110 million glass bottles annually, diverting approximately 32,000 tonnes of glass containers. Reduced production requirements generate significant energy and pollution savings in comparison to the use of one-way glass containers (see below).

The Canadian brewing industry introduced further improvements in the use of refillable containers by adopting an industry standard bottle (ISB). The ISB is a leading example of design for the environment (DfE). The ISB reduces the cost of sorting empty containers, minimizes inventory storage requirements and improves production efficiencies by eliminating the need for brewers to perform costly packaging line changeovers (associated with different containers for different brands). At present, 13 British Columbia breweries are signatories to the Industry Standard Bottle Agreement and use the ISB bottle as their principal glass container.



BDL Product Stewardship Annual Report Year Ending December 31, 2011 Page 13

Finally, BDL's product stewardship system generates exceptionally high return rates for recyclable containers. BDL's return rate for aluminum cans (which carry a deposit of 10 cents and which accounted for over 78% of beer containers in calendar year 2011) was 92.3% in 2011. This represents one of the highest return rates for aluminum cans in North America and a figure that is over 9 percentage points higher than typical return rates for soft drink cans in British Columbia (which carry a lesser deposit of 5 cents). Given the production of aluminum from recyclable materials uses 95% less energy than the production of aluminum from virgin materials, the BDL product stewardship system generates significant energy and pollution savings related to the collection and recycling of beer cans.

#### Pollution Prevention Hierarchy

Manufacturing aluminum from recycled materials reduces harmful atmospheric emissions, waterborne contaminants and solid waste in comparison to production from virgin materials. Similarly, the use of refillable glass bottles drastically reduces the amount of glass materials needed to sell a given amount of product. Studies sponsored by the Environmental Protection Agency (EPA) in the United States enable BDL to estimate the reduction of several pollutants associated with container recovery.

Table 5: Reduced Pollutants Associated with BDL Container Recovery 201110

MILL	Nitrogen	Sulfur Oxides	Particulate Marter	Sand Waste
Reduced kg of pollutant per Tonne: Recycled versus Virgin Aluminum	31.4	91.3	31.7	4,297
Recycled BDL Aluminum 2010 Metric Tonnes	5,918	5,918	5,918	5,918
Tonnes Avoided Pollutants Cans	186	540	188	25,430
Pollutants (kg) Glass Production per Tonne	1.73	6.1	3.73	66.65
Diverted Glass Tonnes BDL Refillable Glass Bottles	31,994	31,994	31,994	31,994
Tonnes Avoided Pollutants Refillable Glass Bottles	55	195	119	2,132
Total Tonnes of Avoided Pollutants	241	735	307	27,562

Pollutant reductions associated with recycled versus virgin aluminum production and glass production from Weitz, Keith A. et al. 2003. Life-Cycle Inventory Data Sets for Materials Production of Aluminum, Glass, Paper, Plastic, and Steel in North America. Report prepared by RTI International for the U.S. EPA, Office of Research and Development. EPA-600/Q-03-001. Research Triangle Park, NC.

The contain the co

Table 5 provides examples of selected pollutant reductions associated with BDL's product stewardship system. Nitrogen oxide contributes to ground level ozone, acid rain, nutrient overload and global warming and combines with other chemicals to contribute to respiratory problems. Sulfur oxides also contribute to respiratory problems and acid rain. Particulate matter contains microscope solids and liquids that contribute to a variety of health problems such as lung disease and chronic bronchitis.

According to the EPA study, recycling aluminum results in significant reductions in atmospheric emissions. Nitrogen oxides, sulfur oxides and particulate matter emissions are reduced by over 60%, 90% and 95% respectively when aluminum is made from recycled materials. For 2010, total reductions in emissions of nitrogen oxides, sulfur oxides and particulate matter from aluminum recycling and the use of refillable bottles in BC are estimated at 241,735 and 307 metric tonnes, respectively.

In addition to reductions in atmospheric emissions, BDL container management also generates significant solid waste reductions associated with material production. Aluminum cans are light, but making aluminum from virgin material creates solid waste that is four and half times heavier than the aluminum itself. There were 27,562 less metric tonnes of solid waste generated in 2011 related to aluminum recycling and the use of refillable glass bottles. This reduced tonnage is in addition to the 44,025 tonnes of packaging materials diverted from provincial landfills in 2011 as a result of BDL's product stewardship system.

When these totals are combined, BDL's product stewardship program reduces solid waste production by approximately 71,587 tonnes annually - equivalent to \$7.7 million in Vancouver tipping fees.<sup>11</sup>

Although not reported in Table 5, recycling aluminum also generates significant reductions in waterborne waste. Production of heavy metals, such as cadmium and mercury, are reduced by more than 99% when aluminum is manufactured from recycled materials.

#### Green House Gas Reductions and Energy Savings

Every can and refillable glass bottle returned by beer consumers contributes to energy savings and reduced greenhouse gas emissions.

Manufacturing aluminum from recycled materials, such as recovered beer cans, generates enormous energy savings, as processing aluminum from bauxite is an energy-intensive process. Similarly, reusing a glass beer bottle 15 times eliminates the need to produce a new bottle for every beer sold, thereby eliminating the raw material processing and energy requirements associated with making new glass.

<sup>11</sup> Based on a Vancouver 2011 tipping fee of \$107 per tonne for waste disposal.

The 69,326 metric tonnes of greenhouse gases avoided annually through the use of can recycling and glass bottle reuse is equivalent to pulling about 13,600 cars off of B.C. roads and highways12 or equivalent to the energy contained in 161,223 barrels of oil worth approximately \$15 million at 2011 prices for crude oil.13

Table 6: Energy and Greenhouse Gas Savings BDL Container Recovery 201014

Class Aluminum Recycling		field	
Tonnes Diverted	31,994	5,918	37,912
Avoided GHG Emissions (MTCO2E)	12,158	57,168	69,326
Avoided Energy (Gigajoules)	217,559	516,996	734,555

#### Fee Information 7.

Costs related to BDL's container collection system are managed by the British Columbia Brewers' Recycled Container Collection Council, which operates the program on a cost recovery basis.

#### Refillable bottles

In the case of refillable bottles, the Council establishes rates for the collection, sorting and return of containers based on projected and audited costs. Costs associated with cleaning and reusing refillable bottles are borne by the manufacturer. In the case of refillable bottles, manufacturers retain unredeemed deposits and use these funds to offset container costs.

<sup>12</sup> See U.S. EPA Greenhouse Gas Equivalencies Calculator at http://www.epa.gov/cleanenergy/energyresources/calculator.html#results. Vehicle equivalency calculation based on the assumption that the average car emits approximately 5.1 tonnes of GHG emissions per year.

Based on a June 2011 crude oil price per barrel of \$93.40.

<sup>14</sup> Source for avoided energy and emission multipliers: Determination of the Impact of Waste Management activities on Greenhouse Gas Emissions: 2005 Update Final Report, ICF Consulting for Environment Canada & Natural Resources Canada, October 2005 and GHG Calculator for Waste Management, Update Oct 2009, ICF Consulting for Environment Canada. Multipliers for avoided GHG Emissions (eCO2/tonne) used were 0.38 for glass reuse and 9.66 for aluminum recycling. Avoided energy multipliers used (Gigajoules/tonne) were 6.8 for glass reuse and 87.36 for aluminum recycling. Avoided GHGs from glass bottle reuse (0.38) is not presented in the Determination of the Impact of Waste Management Activities on Greenhouse Gas Emissions: 2005 Update Final Report. This multiplier was provided in the previous version of the report from 2004.



#### Recycled Cans

In the case of recycled cans, an internalized container recycling fee is established by the Council and applied to the product's wholesale price set by the Liquor Distribution Branch. In 2010, this fee was set at \$0.02 per can. The Council retains unredeemed deposits with respect to can sales and retains revenues from aluminum material sales to offset, administration, transportation, collection and sorting fees and infrastructure costs.

BDL, as the agent of the Council, pays return location partners for the collection, sorting and return of BDL containers. In the case of the Liquor Distribution Branch, BDL has entered into a 5-year agreement with the agency to pay the LDB fees for each container collected from its stores. Licensee retail stores that sign up as a collection partner that will accept unlimited customer returns are also paid a fee for each container collected. BDL has also entered into service agreements with several private bottle depots for collection and sorting services.

Table 7: BDL Deposit Summary 201115

	Comp	Standard Boute (158)	Non-150 Refittable Botile <sup>10</sup>	Total
Deposits Received	\$46,972,319	\$9,749,568	\$2,987,420	\$59,709,307
Refunds Paid	\$43,347,088	\$9,389,374	\$2,650,258	\$56,863,271
Return Rates 2010	92.3 %	96.3 %	88.7 %	92.8 %

Deposit amounts reported in Table 7 are audited annually by S.J. Yeung Chartered Accountant. The Council contingency fund to ensure stable financing with respect to management of can containers was \$3 million as of March 31, 2011 and is projected to meet its target goal of \$4 million in 2012.

Deposit amounts audited by S.J. Yeung Chartered Accountant, Calgary, Alberta.

<sup>16</sup> Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch.

#### 8. Performance Targets

Table 6: Performance Target Summary

Stewardship Plan Target 2010	Results	
Maintain 85 % return rate in each container category.	Target Exceeded:  Recovery Rates 2011:  92.8% overall  92.3 % Cans  94.5 % Refiliable Glass  Bottles	
2. Increase the number of collection partners BDL has arrangements with. Target 275 by 2011 and 347 by F2014	Target Partially Achieved:  • 247 collection partners that accept unlimited customer returns as of December 31, 201	

3. Improve	Consumer	Awareness
through var	ious Initia	tives:

- Monitoring of consumer feedback re: deposit return locations;
  - Maintain 85% consumer awareness levels;
- On-going advertising in community/industry recycling publications;
- Continuing partnerships with community groups, NGOs on awareness initiatives.

#### Target Achieved:

- Polling indicates 98% of consumers aware of beer container deposits;
- All collection partners receive POS materials;
- Sponsorship of RCBC Annual Conference, consumer information hotline and Recyclepedia.
- Promotion through stakeholder websites

## 4. Benchmark BDL collection of secondary packaging materials

#### Target Partially Achieved:

 Portion of secondary packaging recycled through warehouse operations accounted for, estimate for packaging recycled through other means

#### Appendix A

Brewer
Big Rock Brewery Limited
Unck Brewing Company
Chilkoot Brewing Company
Chilkoot Brewing Company
Chilkoot Brewing Company
Fireweed Brewing Company
Granville Island Brewing Company
Granville Island Brewing Company
Led
Labatt Brewing Company Ltd.
Hark Astrony Group
McAuslan Brewing
McAuslan

Import and Domestic Suppliers (Cans)

Agent/Orewee
Amador Importers
Atlas Wine Merchants
Big Rock Brewery Limited
Howen Island Brewing
Bruce Ashley Group
Calibrium International Limited
Cannery Brewing
Carfoburg Canada Inc.
Central City Brewing Company Limited
Charton-Hobbs Inc.
Culin Importers Ltd.
Diagno Canada Inc. (Dorval)
Diamond Estates Wines & Spirits B.C.
Fernie Brewing Company Limited
Fireweed Brewing Corporation
Granville Island Brewing Co. Limited
Great Western Brewing Company Ltd
Hell's Gate Brewing
Hi-Bridge Consulting Group
fnilependent Distillers (Canada) Limited
Innovative Commodity Imports Limited
Labelt Brewling Company Ltd.
Lighthouse Brewing Co. Ltd.
Lmp Wines Inc.
Lothar Heinrich Agencies Ltd.
M.I.S. Beverage Concepts Int'l

Mark Anthony Group Inc.	
MoStelland Premium Imports Inc.	
Meagher's Distillery (B.C.) Ltd.	
Molson Coorn Canada	
Moosehead Brewerles Ltd.	
Nelson Browing Co.	
Northam Brewery	
Okanagan Spring Browery Ltd.	
Pacific Western Brewing Co. Ltd.	
Presider Brands Limited	Ì
Premium Beer Company Inc.	
Ansaell Brewing Company Ltd.	
Sebucom International Corporation	
Steeman Berwing Co.	
Sunny Star Import Export Limited	
The Barley Mill	
The Cannery Brewing Company	
The Kirkwood Group	
United Distributors Of Canada	
Vancouver Island Brewing Co.	
Whitehall Agencies Ltd.	

S.T. Young\*
Chartered Accountant

#301, 901 Centre Street N.W. Calgary, Alberta T2E 2P6 Ph: (403) 234-9094 Pax: (403) 233-2661

May 11, 2012

To: Brewers Distributor Ltd.

As specifically agreed, we have performed test procedures at Brewers Distributor Ltd. In ("the Agency") as described in this letter for the year ended December 31, 2011 over certain non-financial information related to:

- BC Reg449/2004, Section B(2)(b) the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report;
- BC Reg449/2004, Section 8(2)(d) a description of how the recovered product was managed in accordance with the pollution prevention hierarchy; and,
- BC Reg449/2004, Section 8(2)(e) the total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate.

The results of applying the procedures are detailed in the attached Appendix. These procedures do not constitute an audit of the Agency's non-linancial information and therefore, we express no opinion on the overall accuracy or completeness of the non-financial information of the Agency for the year ended December 31, 2011.

This letter is for use solely by Brewers Distributor Ltd. in connection with their consideration of the accuracy and completeness of certain non-financial information as reported by Brewers Distributor Ltd. for the year ended December 31, 2011.

S.T. Yeung Professional Corporation Chartered Accountants 301 – 901 Centre Street NW Calgary, Alberta

\*Professional Corporation



Bryan Cox Vice President West Canada Canada's National Brewers 1106 – 750 West Pender St Vancouver, BC V6C 2T8

February 16, 2012

Dear Mr. Cox,

As per the Beverage Container Stewardship Program Regulations, the following is Browers' Distributor Ltd. annual report detailing the effectiveness of our stewardship plan during the period of January 1, 2011 to December 31, 2011. Note that this information is commercially confidential, and is for review only by the Ministry of the Environment, Lands and Parks.

 The recovery rate, by regional district and container type, expressed as a percentage and independently audited.

Recovery rates are given in the following table.

Container Type	Sales Dozens	Returns Dozens	Recovery Rate
Cans	39,143,599	36,122,573	92.28%
Industry Standard Bottles	8,124,640	7,824,478	96.31%
Non Standard Bottles (Refillable)	2,489,517	2,208,548	88.71%

<sup>\*</sup> Sales for the Non-Industry Standard Bottle (Refillable) have been provided by British Columbia Liquor Distribution Branch.

 Annual financial statements, prepared by an independent audit, of all deposits received and refunds paid by the brand owners covered under the plan.

Deposits received and refunds paid can be reasonably estimated by multiplying sales in dozens by \$1.20, and returns in dozens by \$1.20:

Container Type	Deposits Received	Refunds Paid
Cans	\$46,972,319	\$43,347,088
Industry Standard Bottles	\$9,749,568	\$9,389,374
Non Standard Bottles (Refillable)	\$2,987,420	\$2,650,258

c) The percentage of containers that were refilled or recycled after the collection and, if recycled, how utilized.

The vast majority of bottles are refilled. However, a small percentage of these bottles are culled out because they are unsuitable for refilling. On average, each bottle is refilled 15 times. The culled glass is sent to a glass facility for destruction and subsequent use in the remanufacture of bottles and various other uses.

All the cans recovered are crushed into biscuits and shipped to an aluminum recycler.

Container Type	Dozens	Weight (in Ibs)	Weight (in tons)
Cans shipped to Aluminum Recycler	35,335,508	13,046,956	5,918
Industry Standard Bottles Sent back to Brewer and Refilled	7,824,478	54,771,347	24,844
Non Standard Refillable Bottles Sent back to Brewer and Refilled	2,208,548	15,459,836	7,012
Industry Standard Bottles Sent for Destruction	43,309	303,163	138

d) The number of return locations.

Return Location Type	2011
Depots	178
Licensee Retail Stores	658
Government Liquor Stores	210
Rural Agency Stores	231
TOTAL	1,277

e) The number of Stewardship locations.

Return Location Type	2011
Depots	39
Licensee Retail Stores	163
TOTAL	202

f) How much of the stewardship plan has been implemented during the previous calendar year, what has not been implemented, and why it has not been implemented.

Our stewardship plan is fully implemented.

Yours Sincerely,

Eldon Moston,

**BDL** Inventory Manager

(403)531-1083

ce: Mike Allen, Derek Drummond-Young, Jeff Newton

#### BCReg449-2004, Section8(2)(b)

For the following procedures, test samples were selected from the December 31, 2011, unless otherwise noted:

Non-Financial Information Requirements: BC Reg449/2004, Section 8 (2) (b) - the location of its collection facilities, and any changes in the number and location of collection facilities from the previous report:

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
1.1	To obtain comfort over the existence and accuracy of the collection	1 For the period under review, obtain a listing of all Collection Facilities from the Agency broken out by type (if applicable).	No exception
facilities reported in the Agency's annual report  3 Randomly and obtain file to dete 4 Using conti-	2 Compare total count of collection facilities from the listing with the latest stewardship annual report; investigate any discrepancies with the Agency as applicable.	No exception	
	3 Randomly select a sample of Collection Facilities and obtain the business file for each. Review each file to determine that an operating agreement exists.	No exception	
	4 Using contact information on the Facility listing provided in #1 above, phone each randomly selected Collection Facility to verify their existence.	No exception	

#### BCReg449-2004, Section8(2)(b)

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
1.2	To obtain comfort over the completeness, consistency, and	1 Obtain the historical data for the total number of collection facilities for the past 3 years as reported by the Agency in their annual reports	No exception
	validity of the number of Collection Facilities.	2 Investigate any fluctuations greater than 5% to understand the reason for the fluctuation in the number of collection facilities.	No exception
		*	

Page 2 of 6

### BCReg449-2004, Section8(2)(d)

Non-Financial Information Requirements: BC Reg449/2004, Section 8 (2) (d) - A description of how the recovered product was managed in accordance with the pollution prevention hierarchy

Testing Procedure#	Objective and Purpose	Testing Procedures	Results
well as subst	eps 1-3 in test 2.2 should	c, are subject to audit around their product management practices be completed. Where Processors/Manufacturers etc are not subj d be completed in its entirety.]	
2.1	To obtain comfort over the effective weight of end-use product collected and the accuracy of the manufacturer's receipt of weight of product.	Where available, obtain the 3rd party auditors opinion over registered processors/manufacturers compliance with waste management or program specific guidelines for managing product appropriately.      Ensure the auditor's opinion is unqualified.	n/a
2.2	To obtain comfort over the accuracy, completeness and existence of end-use of the product collected and the accuracy of the manufacturer's or processor's receipt of weight of product, test on a sample basis the deliveries of product recovered to their	1 Obtain a schedule/listing of products shipped to processors/manufacturer for the period under review. The listing should provide:  a. The processor/manufacturer name/address.  b. The total weight of the product weighted at the collection site of consolidation site (where applicable).  c. The total weight of the product weighted at the processor/manufacturer.  d. The date of delivery to the processor/manufacturer.	No exception
	end-use (or next	2 Obtain a listing of all registered processors/manufacturers.	No exception

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### BCReg449-2004, Section8(2)(d)

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
	along the custody chain).	3 Scan listing to ensure that all receivers of product were approved processors/manufacturers. If there is not a listing of approved manufacturers/processors, ensure that the manufacturer is not a related party to the processor by researching the related parties of each organization and ensuring that the transaction was made at arm's length.	No exception
		4 Randomly select shipments and obtain a copy of the invoice or other supporting documentation.	No exception
		5 Verify that each Invoice or other suppporting document has evidence of the weight of the product shipped by the Processor and received by the customer.	No exception
		6 Compare the total weight listed on the Invoice of other supporting documentation with the weight listed on the detailed listing received in #1 and note any discrepancies.	No exception

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#### BCReg449-2004, Section8(2)(e)

Non-Financial Information Requirements: BC Reg449/2004, Section 8 (2) (e) - The total amount of the producer's product sold and collected and, if applicable, the producer's recovery rate.

resting Procedure #	Objective and Purpose	Testing Procedures	Results
	y audits the Agency's sc ps 3.2 through 3.4]	hedule of product collected (recovery rate), complete only step 3.1; If no	audit is performed,
3.1	To ensure that there were no qualifications	<ol> <li>Obtain the Auditor's Opinion over the Schedule of Product Recovered for the most recent fiscal year.</li> </ol>	n/a
	within the auditor's opinion over the	2 Review the opinion to ensure that there are no qualifications.	n/a
	schedule of product recovered.	3 Check the mathematical accuracy of the calculated recovery rate (where applicable), as reported in the audited financial statements.	n/a
		4 Compare calculated recovery rate to the recovery rate reported by the agency in their annual audited report. Note any discrepancies.	n/a
3.2	To ensure the accuracy and	Obtain the Schedule of Product Sold for the period under review.	No exception
	completeness of total product	2 Obtain a listing of all registered processors/manufacturers.	No exception
	sold.	3 Confirm with processors/maunfacturers with actual sales.	No exception
		4 Compare actual sales to the Schedule of Products Sold. Note any discrepancies.	No exception

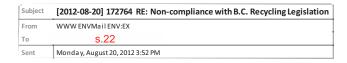
Page 5 of 6

#### BCReg449-2004, Section8(2)(e)

Testing Procedure #	Objective and Purpose	Testing Procedures	Results
3.3	To obtain comfort over completeness, accuracy, cutoff and validity of the	1 Obtain a listing of product shipments (for each product the Agency manages) from collection facilities for the period under review.	No exception
	total product recovered.	2 Compare the total weight of product collected from the listing to the report total of product recovered from the Schedule of Product Recovered.	No exception
		3 Verify Agency mathematical accuracy of the calculation that the total product (in units/weight etc.) listed on the supporting document matches the total listed on the listing. Note any discrepancies.	No exception
3.4	To obtain comfort over the calculated recovery rate by product type (where applicable).	1 Check the mathematical accuracy of the calculated recovery rate (where applicable) by dividing product recovered by product sold, as reported by Agency. Note any discrepancies.	No exception

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# [2012-08-20] 172764 RE: Non-compliance with B.C. Recycling Legislation



Reference: 172764

August 20, 2012

s.22 Email: s.22

Dear s.22

Thank you for your email of July 27, 2012, addressed to the Honourable Terry Lake, Minister of Environment, regarding deposit-refunds for empty beverage containers. Minister Lake has asked me to respond on his behalf.

The Ministry of Environment is responsible for oversight of the province's beverage container deposit-refund system. Ensuring compliance with provincial regulatory requirements is one of the Ministry's principal objectives.

The Recycling Regulation, under the *Environmental Management Act*, prescribes minimum deposit-refund levels as 5 cents for non-alcoholic containers up to one litre in size and 20 cents for all containers greater than one litre. For containers of alcoholic beverages, such as wine, spirits and beer, the minimum deposit is 10 cents for containers up to one litre in size.

As you note in your email, the specific requirements and allowances for retailers as sellers of beverages include the following:

- · To collect beverage container deposits at the point of sale and pay refunds for redeemed containers in an amount equal to the deposit collected.
- The entitlement to limit the total number of returns to 24 containers per person per day of the same brand and type that the retailer sells.
- The right to refuse refund on any container that is: contaminated, rusty, dirty, purchased outside of British Columbia, or which cannot be reasonably identified as a deposit-bearing beverage container.

If you provide information about the retailer located in New Westminster, British Columbia, ministry staff will follow up with them to inform them of their obligations as retailers of beverages. If you have any questions, please contact me by phone at 250 387-9774 or by email at <a href="mailto:Greg.Tyson@gov.bc.ca">Greg.Tyson@gov.bc.ca</a>.

Sincerely,

Greg Tyson

Environmental Protection Division

From: S.22 [mailto: S.22

Sent: Friday, July 27, 2012 9:23 AM

To: info@beerbottlerefund.com; Minister, ENV ENV:EX; LDB Communications LDB:EX

Cc: XT:NewWestminster, City ENV:IN
Subject: Non-compliance with B.C. Recycling Legislation

To those responsible for upholding the B.C. Recycling Legislation,

There is a cold beer and wine retailer in my neighbourhood that refuses to comply with the rulles and regulations regarding the B.C. Recycling Legislation (2004). The owner of this store has instituted an illegal policy that instructs his staff to not accept returns for 2 hours after opening and for 4 hours before closing.

This means that for 6 hours every day (more than 40% of business hours) they sell their products that will inevitably become recyclable returns, but they refuse to accept any returns, just because of the time of day.

Below are the valid reasons for refusing recyclable containers (from the Environmental Management Act, Recycling Regulation:

- (5) A container redemption facility or retailer is not required to accept a container, or pay a cash refund for a container, if the container
- (a) is contaminated, rusty or dirty,
- (b) can be reasonably identified as a container that was purchased outside of British Columbia, or
- (c) cannot be reasonably identified as a container to which this Schedule applies.

This unlawful policy contravenes the B.C. Recycling Legislation and discourages the recycling of beer and wine containers (so me customers may just throw the recyclable containers away). This is an example of bad stewardship by a retailer that negatively affects the community as well as the environment.

Although I sent an email to New Wesminter city hall (CC: entry) to ask for answers regarding this retailers' policy several weeks ago, I have not had any response other than an ackowledgement of receipt of the email.

I am hoping someone in the "To:" list that cares about the environment and the duties of recyclables will take it upon themselves to give me the information of how to proceed to correct the retailers anti-green and illegal policy, hopefully in a timely manner.

Best regards,

S.22 New Westminster, B.C. (July 27, 2012)

# Multi-Stakeholder Review of Prescriptive Measures in the Beverage Container Regulation

# **Analysis & Considerations**

March 2012

Prepared for:

British Columbia Ministry of Environment

E M CONSULTING

### Summary of Consultation

CM Consulting has prepared a summary of comments provided during the consultation period (October-February) from interviews, written submissions, workshop presentations and on-site commentary. In this final phase of the consultation, CM Consulting has reviewed all of the input and summarized these findings into four separate summary tables.

The summary tables provided here show which stakeholders support maintaining the existing Schedule 1 provisions and which suggest changes. We have summarized the changes most commonly being suggested in these charts. These are meant as a quick overview of the stakeholder comments which relate specifically to the regulatory provisions being reviewed. Each submission contains other important and relevant information, and is available for review within the consultation appendix.

In addition, we have provided analysis around some of the information which was received. The final portion of this report provides some discussion around to some of the options available to the Ministry.

Summary of Consultation	2
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Return to Retail	
Recycling Provision	7
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Discussion of Options	13
Status Quo	
Increase Deposit	
Eliminate or begin to phase out mandatory return-to-retail (R2R)	
for non-alcohol containers	14
Eliminate Recycling Provision	14
Promote Refillables	
Recommended Option from CM Consulting	

### **Deposit Levels**

In terms of deposit levels, the summary table below shows:

- Who supports maintaining current provision on deposit levels (5, 10 & 20-cents);
- · Who supports increasing lowest deposit level; and
- · Of those who support increasing deposit, who supports one-tier versus two-tier deposits.

The findings show that most stakeholders, with the exception of beverage, retail and their stewardship agency (Encorp Pacific) support amending the existing provision on deposits. All other stakeholders, including depots, the public, environmental groups, municipalities, and some beverage industry companies/associations support increasing the deposit.

There is mixed support for one-tier versus two-tier. There is reason to believe that many of those who stated support for two tier would throw their support behind one tier once the benefits were fully explained. Those who do support one tier consistently cited fewer sorts and time savings for consumers, less confusion, fewer sorts for depots, the opportunity to cut costs and utilize automated counting systems as prime benefits.

The beverage industry and retail stakeholders that support maintaining existing deposit levels state that increasing the lowest deposit level will not necessarily achieve considerable gains in recovery, and may be more efficiently obtained through a combination of increased education and awareness and more public space recycling initiatives.

### SUMMARY OF POSITIONS ON DEPOSIT LEVELS

STAKEHOLDER	TYPE	Maintain Deposit Levels	increase Levels	One-tier	Two-tier
Canadian Beverage Association, Jim Goetz	Beverage Association	×			
Canadian Bottled Water Association, Elizabeth Griswold	Beverage Association	Ж			
Juice Council of British Columbia, Den Wong & Rob Fietcher	Beverage Association	Ж.			
Food and Consumer Products of Canada, Rachel Eagen	Beverage Association	X			
Brewers Distributors Limited, Bryan Cox	Beverage Association		X		
Canada's National Brewers, Brian Zeiler-Kligman	Beverage Association		X		
Nestle Waters, John Zupo	Beverage Company	×			
Pepsico, Neil Antymis	Beverage Company	×			
Culligan Okanagan, Doug Osnuss	Beverage Company	X			
Aquaterra Corporation, Mengo McCali	Beverage Company		X		
Carton Council of Canada, Elizabeth Comere	Beverage Packaging Association	N.			
Mark McKenney	Consultant	×			
Dennis Kinney	Consultant		X	X	
Richmond Bottle Depot, Anil Kotadia	Depot			di .	X

Prepared by CM Concusting

Octuelet Bottle Depot, Ann Kim	Depot		X		X
Blundell Return-it, Azim Khimji	Depot		X		-
Columbia Bottle Depot, Clare Cassan	Depot		X		X
The Bottle Depot, Darcy Hipwell	Depot		X	X	
Galiano Island Recycling Resources, Nadia Krebs	Depot		X		X
Langley Bottle De pot, Hanif Devil	Depot		X		X
Nanaimo Bottle Depot, Paul Shorting	Depot		X	X	
Pender Island Recycling Society, Richard Philipot	Depot	-	X	X	
Denman Island Waster Mgmt Co., Robert French	Depot	199	X	X	
Regional Recycling, Rod Lotzkiar	Depot		X	X	
Cowichan Valley Bottle Deput, Vince Spronken	Depot		X		X
Willowbrook Recycling, Savannah Paine	Deput		X	8	
British Columbia Bottle Depot Association	Depot Association		X		X
Rick Weik	Hinder		X		X
United We Can, Ken Lyotier	Not-for-Profit		X	X	
Recycling Council of British Columbia, Brock Langley	Not-for-Profit (ENGO)		X	X	
Sierra Club of Canada, George Heyman	Not-for-Profit (ENGO)		X		X
Ann Johnston	Public		X		X
Helen Spiegelman	Patric		X	X	
Jim Calitres	Public		X		
Sue Maxwell	Public		X		X
Marra Rixilleau	Public		X		X
Sonny	Public		X	X	
Capital Regional District, Wendy Dunn	Regional District / Municipality		X		
City of Port Coquittam, Andrew Wood	Regional District / Municipality		×		×
Metro Vancouver, Andrew Do	Regional District / Municipality		X		
Squamish-Ulopeet Regional District, Brooke Carrere	Regional District / Municipality		×		
Regional Discrict of Bulkely-Nechako, Janine Dougall	Regional District / Municipality		X		
Resort municipality of Whistler, Micheal Day	Regional District / Municipality		X	X	
City of Vancouver, Monica Kosmali	Regional District / Municipality		×		
Alliance of Beverage Licensees, Raechelle Williams	Retail Association	×			
Retail Council of Canada. Allen Langdon	Retail Association	×			
Federation of Independent Grocers, Gary Sands	Retail Association	X			
Liquor Distribution Branch, Gord Hall	Retailer	×			
Encorp Pacific, Neil Hastie & Bill Chan	Stewardship Organization	X			

### Return to Retail (R2R)

In regards to the Return to Retail (R2R) provision, the summary table lists those stakeholders that:

- Support existing R2R provision
- Support eliminating mandatory R2R
- Support partial elimination
- Support eliminate mandatory R2R only in under-serviced areas
- · Begin to explore a phase-out elimination

The findings show most stakeholders agree that R2R is needed to maintain existing program performance because it provides a convenient channel of return for many consumers, particularly seniors, those who would prefer not to drive, and those in under-serviced areas of the province. On the other hand, there is some interest in considering exemption to non-alcohol retailers in certain areas. Comments suggesting initiatives like pilots programs to test the impact on recovery in certain locations in the province, market research to gage public opinion; and other efforts to assess the feasibility would be worth pursuing.

Alcohol retailers and distributors that commented, including Liquor Distribution Branch (LDB), Alliance of Beverage Licensees (ABLE) and Brewers Distributors Ltd support the existing provision.



SUMMARY OF POSITIONS ON RETURN TO RETAIL (R2R)

STAKEHOLDER	ТУРЕ	Maintain R2R	Eliminate Mandatory R28	Eliminate mandatory RZR except in under serviced areas	Begin to explore a phased-out elimination	Support partial elimination of
Brewers Distributors Limited, Bryan Cox	Beverage Association	X				
Canadian Beverage Association, Jim Goetz	Beverage Association		×			
Canadian Bottled Water Association, Elizabeth Griswold	Beverage Association			X		
Juice Council of British Columbia, Dan Wong & Rob Fletcher	Beverage Association		X			
Candadas National Brewers, Brian Zeiler-Kligman	Beverage Association	X				
Aquaterra Corporation, Mengo McCall	Beverage Company		×			
Nestle Waters, John Zupo	Beverage Company		×			
Pepsico, Neil Antymis	Beverage Company		×			
Dennis Kinsey	Consultant	X				
Richmond Bottle Depot, Anii Kotailia	Depot		×			
Columbia Bottle Depoit, Clare Cassan	Depot	X				
The Bottle Depot, Darcy Hipwell	Depot	X				
Gallano Island Recycling Resources, Nadia Krebi	Dépot	X				
Langley Bottle Depot, Hanif Devji	Depot		X			
Narraimo Bottle Depot, Paul Shorting	Depot	Х.				
Regional Recycling, Rod Lotzkar	Depot				×	
Cowichan Valley Bottle Depot, Vince Spronken	Depot			- X		
Willowbrook Recycling, Savannah Paine	Depot	X.				
Recycling Council of British Columbia, Brock Langley	Not-for-Profit (ENGO)	X				
United We Can, Ken Lyotler	Not-for-Profit	X				
Ann Johnston	Public	X				
Helen Spiegelman	Public					×
Jim Cairns	Public	X				
Sue Maxwell	Public	X				
Lisa Chu	Public		×			
North Shore Recycling Program, Al Lynch	Recycler	X				
Capital Regional District, Wendy Dunn	Regional District / Municipality					X
City of Port Coquitians, Andrew Wood	Regional District / Municipality	-X				
Regional Disctrict of Bulkely-Nechako, Janine Dougall	Regional District / Municipality	X				
Resort municipality of Whistler, Micheal Day	Regional District / Municipality	X.				
City of Vancouver, Monica Kosmak	Regional District / Municipality	-X.				
Alliance of Beverage Licensees, Raechelle Williams	Retail Association	X		1		
Retail Council of Canada, Allen Langdon	Retail Association			X	×	X
Federation of Independent Grocers, Gary Sands	Retail Association		X			
Ulounge, Corales Janssen	Retail Company					
Liquor Distribution Branch, Gord Half	Retailer	X				
Safeway, John Graham	Retailer		X			
Encorp Pacific, Neil Hastle & Bill Chan	Stewardship Organization	300	1	X		1

## **Refill and Recycling Provision**

In regards to the Recycling Provisions (7 & 8), the summary table lists those stakeholders that:

- Maintain recycling and refill provision (7&8)
- . Loosen provision to include EFW and composting where appropriate

The findings show most stakeholders support maintaining the recycling provision and have indicated that EFW should not be considered as an acceptable diversion option for beverage containers.

SUMMARY OF POSITIONS RECYCLING PROVISION (7&8)

STAKEHOLDER	TYPE	Maintain recycling & refill provisions (766)	Loasen provision to include EFW where appropriate
Brewers Distributors Limited, Bryan Cox	Beverage Association	X	
Canadian Beverage Association, lim Goetz	Beverage Association		X
Canadian Bottled Water Association, Elizabeth Griswold	Beverage Association	-	Х
Juice Council of British Columbia, Dan Wong & Rob Fletcher	Bevirage Association		×
Canada's National Brewers, Brian Zeiler-Kligman	Beverage Association	X	
Beverage Alcohol Container Management Council, John Nixon	Beverage Association	×	
Food and Consumer Products of Canada; Rachel Ragen	Beverage Association		×
Aquaterra Corporation, Mengo McCall	Beverage Company	×	
Nestle Waters, John Zupo	Beverage Company		X
Pepsico, Neil Antymis	Beverage Company		X
Carton Council of Canada, Elizabeth Comere	Beverage Packaging Association		- X
Dennis Kinsey	Consultant	×	
Columbia Bottle Depot, Clare Cassan	Depot	X	
The Bottle Depot, Darcy Hipwell	Depot	X	
Galiano Island Recycling Resources, Nadia Krebs	Depot	X	
Nanaimo Bottle Depol, Paul Shorting	Depot	X	
Denman Island Waste Mgmt Co., Robert French	Depot	×	
Regional Recycling, Rod Lotzkar	Depot	X	
Cowichan Valley Bottle Depot, Vince Spronker	Depot	×	
British Columbia Bottle Depot Association	Depot Association	X	
United We Carr, Ken Lyotter	Not-far-Profit	·X	
Sierra Club of Canada, George Heyman	Not-tor-Profit (ENGO)	X	
Ann Johnston	Public	X	
Helen Spiegelman	Public	X	2
Jim Cairns	Public	X	
Sue Maxwell	Public	X	
Capital Regional District, Wendy Dunn	Regional District / Municipality	×	-
Oty of Port Coquitian, Andrew Wood	Regional District / Municipality	X	
Metro Vancouver, Andrew Doi	Regional District / Municipality	X	
Squamisti-Lilooeet Regional District, Brooke Carrere	Regional District / Municipality	X	1
Regional Disctrict of Bulkely-Nechako, Janine Dougall	Regional District / Municipality		X
City of Vancouver, Manica Kosmak	Regional District / Municipality	×	
Encorp Pacific, Neil Hastie & Bill Chan	Stewardship Organization		X

### Other Shared Comments

The table below provides a summary of other comments which were also received during the consultation period. They include:

- · Placing a deposit on milk containers
- · Mandating that the CFR be buried in the price of the product;
- Support refillables
- Need to address discounting issue

SUMMARY OF	OTHER SHARED	COMMENTS
------------	--------------	----------

STAKEHOLDER	ТҮРЕ	Place deposits on milk	Internalize CRF	Support for Refillables	Need to address Discounting Issue
Brewers Distributors Limited, Bryan Cox	Beverage Association			X	
Canada's National Brewers, Brian Zeiler-Kligman	Beverage Association			X	
Aquaterra Corporation, Mengo McCall	Beverage Company			X	_
Richmond Bottle Depot, Anil Kotadia	Depot	X			X
Columbia Bottle Depot, Clare Cassan	Depot	Х		X	
The Bottle Depot, Darcy Hipwell	Depot	X		X	
Galiano Island Recycling Resources, Nadia Krebs	Depot	X			
Langley Bottle Depot, Hanif Devji	Depot				X
Nanaimo Bottle Depot, Paul Shorting	Depot			X	
Denman Island Waste Mgmt Co., Robert French	Depot	X			
Regional Recycling, Rod Lotzkar	Depot				X
Cowichan Valley Bottle Depot, Vince Spronken	Depot		X		
British Columbia Bottle Depot Association	Depot Association	Х			
Recycling Council of British Columbia, Brock Langley	Not-for-Profit (ENGO)	X			
Sierra Club of Canada, George Heyman	Not-for-Profit (ENGO)	X			
Rick Weik	Hauler	X	X		
Ann Johnston	Public	X	X	X	
Sue Maxwell	Public	X		X	
Maria Roulleau	Public	X	X		
Sonny	Public	X			
Capital Regional District, Wendy Dunn	Regional District / Municipality	X	X		
Metro Vancouver, Andrew Doi	Regional District / Municipality			X	
City of Vancouver, Monica Kosmak	Regional District / Municipality	X		X	
Encorp Pacific, Neil Hastie & Bill Chan	Stewardship Organization				X



Pages 43 through 49 redacted for the following reasons: s.13

# Multi-Stakeholder Review of Prescriptive Measures in the Beverage Container Regulation

# **Final Report**

March 2012

Prepared for:

British Columbia Ministry of Environment (BCMOE)

By:





### Background

In October 2011, the BC Ministry of Environment (MOE) commenced a process to review prescriptive measures supporting recycling program performance in the Recycling Regulation Schedule 1, the Beverage Container Product Category. In addition, BC MOE solicited input on amendment options to support performance improvement.

CM Consulting was hired to facilitate the review process, which included a one-day consultation workshop in Vancouver. The review process began with a series of preliminary telephone interviews with diverse stakeholders involved with or impacted by the beverage container management program. Based on these interviews, a draft agenda for the consultation workshop was developed. (Individuals interviewed are listed in the appendix 1.)

On November 23rd, more than seventy stakeholders attended an all-day consultation workshop held at the British Columbia Institute of Technology in downtown Vancouver. Participating stakeholders included beverage producers and distributors, retailers, associations, depot owners, members of the public, environmental groups and municipalities. (See appendices 2 and 3 for the workshop agenda and attendee list.)

As of the end of December, 17 written comments were submitted to the BC MOE.

5ummaries of stakeholder perspectives expressed in the preliminary interviews, during the consultation workshop, and in written form made-up the content of the interim report, which was posted on the RCBC web site for further comment on February 7, 2012.

Stakeholders were invited to submit additional comments until February 28, 2012. During this three week period 26 submissions with additional input were sent to the MOE. This second round of submissions is located at the end of the Appendix.

This final report provides a summary of the views and opinions expressed by stakeholders that are impacted by the existing deposit return program for beverage container reuse and recycling.



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### Appendix

- Schedule 1 Beverage Container Product Category
- List of Stakeholders Interviewed
- Consultation Agenda
- Workshop Evaluation
- List of Consultation Attendees
- Background Presentations at Workshop
- Stakeholder Presentations at Workshop
- First Round of Written Submissions (As of Dec 30, 2011)
  - 1. Aquaterra Corporation, Mengo McCall
  - 2. British Columbia Bottle Depot Association. Corrine Atwood
  - 3. Canadian Beverage Association, Jim Goetz
  - 4. Canadian Bottled Water Association, Elizabeth Griswold
  - 5. Carton Council of Canada, Elizabeth Comere
  - 6. Culligan Okanagan, Doug Osness
  - 7. Jim Cairns
  - 8. Encorp Pacific, Neil Hastle & Bill Chan
  - 9. Nestle Waters, John Zupo
- 10. Pepsico, Neil Antymis
- 11. City of Port Cogultlam, Andrew Wood
  - 12. Retail Council of Canada, Allen Langdon
  - 13. Sierra Club of Canada, George Heyman
  - 14. City of Vancouver, Monica Kosmak
  - 15. Blundell Return It, Azim Khimji
  - 16. Ucluelet Bottle Depot, Ann Kim
  - 17. Sue Maxwell
  - 18. Columbia Bottle Depot, Clare Cassan



### Second Round of Written Submissions (As of Feb 28, 2012)

- 1. Alliance of Beverage Licensees, Raechelle Williams
- 2. Brewers Distributors Limited, Brian Zeller-Kligman
- 3. Canadian Beverage Association, Jim Goetz
  - 4. Canadian Springs, Mengo McCall
  - 5. Capital Regional District, Wendy Dunn
  - 6. City of Vancouver, Monica Kosmak
  - 7. Langley Bottle Depot, Hanif Devil
- 8. Encorp Pacific, Nell Hastie & Bill Chan
  - 9. Food and Consumer Products of Canada, Rachel Kagan
- 10. Denman Island Waste Management Company, Robert French
  - 11. Galiano Island Recycling Resources, Nadia Krebs
  - 12. The Bottle Depot, Darcy Hipwell.
  - 13. Juice Council of British Columbia, Rob Fletcher
- 14. Blundell Return It, Azim Khimji
  - 15. Richmond Bottle Depot, Anil Kotadia
  - 16. Regional Recycling, Rod Lotzkar
  - 17. Nanaimo & Area Land Trust, Gail Adrienne
  - 18. Pender Island Recycling Society, Richard Philpot
  - 19. Recycling Council of British Columbia, Brock Langley
  - 20. Maria Roulleau
  - 21. Nanaimo Bottle Depot, Paul Shorting
- 22. Sonny
  - 23. Helen Spiegelman
  - 24. Cowichan Valley Bottle Depot, Vince Spronken
- 25. Ulounge, Loralee Janssen
  - 26. Rick Welk



### Introduction to Schedule 1 - Beverage Container Product Category

The province-wide beverage container deposit-refund program in British Columbia began in 1970 with the enactment of the Litter Act, which made BC the first jurisdiction in North America to establish a mandatory deposit-refund system for soft drink and beer containers for litter control purposes.

In 1997, the province enacted the Beverage Container Stewardship Program Regulation to replace the outdated Litter Act. The new regulation expanded the deposit-refund system to include all ready-to-serve beverages sold (such as bottled water, juice, sports drinks, wine, and spirits), excluding milk and milk substitutes.

In 2004, the Recycling Regulation (Reg BC 112/2010) consolidated all BC product stewardship regulations, including the Beverage Container Stewardship Program, into a single regulation. Most of the provisions of the original beverage container program are now contained in the Recycling Regulation under Schedule 1, Beverage Container Product Cotegory. This regulation establishes a minimum goal of a 75% recovery rate and requires that redeemed containers be either refilled or recycled. All beverage containers carry a refundable deposit of 5, 10 or 20 cents based on size (more or less than one litre) and beverage type (alcohol versus non-alcohol).

Under the Recycling Regulation of 2004, product stewards (usually the product producer or brandowner, or an agency acting for them—are required to submit stewardship plans that describe the structure and operation of a system for collecting and recycling beverage containers that meets various criteria, including reasonable and free consumer access to collection facilities.

Currently, two stewardship agencies operate the program on behalf of beverage manufacturers. These are Encorp Pacific (Canada) who represents brand owners of non-alcoholic beverages and wine, spirits, ciders, coolers and beer that are not sold in refillable bottles or cans; and Brewers Distributors Limited (BDL), who represent brand owners of alcoholic beverages that are sold in refillable bottles or cans. Encorp Pacific is a not for profit corporation and carries on its operations without monetary gain to its members.



### **Deposit Levels**

Section 5 of Schedule 1 requires that a seller must collect from the purchaser, at the time of sale of a beverage in a container, a deposit in an amount not less than 5, 10 and 20-cents. Specifically:

5 (1) A seller must collect from the purchaser, at the time of sale of a beverage in a container, a deposit in an amount not less than the amount in Column 2 of Table 1, set out opposite the container size and beverage type in Column 1.

Column 1 Container Size and Beverage Type	Column 2 Minimum Amount of Deposit or Refund
one litre or less for non-alcoholic beverages.	SC
one litre or less for alcoholic beverages	10¢
more than one litre for any beverage	20¢

- (2) The deposit required by subsection (1) must be shown on the purchaser's receipt if a receipt is given.
- (3) The deposit amount set out in Table 1 is an amount that includes any applicable taxes imposed under Part IX of the Excise Tax Act (Canada).
- (4) This section does not apply to a seller if
- (a) the seller sells a beverage in a container for consumption on the premises of the seller and the beverage is consumed on those premises, or
- (b) the seller is a manufacturer or manufacturer's agent who sells a beverage in a container to the Liquor Distribution Branch and the Liquor Distribution Branch has elected under section 2 (2) to be the producer for that container.

The question for review is whether these minimum deposit levels should be amended in an effort to improve the program performance.



### Summary of Consultation Input

### **Deposit Levels**

Options for regulatory amendment, as well as no change to the existing provision were suggested by stakeholders. These are:

- Maintain existing deposit levels (no change);
- Increase deposit levels so that they are consistent with Alberta's deposit levels (10 and 25 cents);
- Increase the deposit on small containers (currently 5 cents) to 10 cents, and decrease the deposit on large containers (currently 20 cents) to 10 cents, for a single (one-tier) deposit on all containers in the program.

Stakeholders in favour of maintaining the existing deposit rates primarily represent nonalcoholic beverage producers, retailers, and packaging suppliers like the Carton Council of Canada.

A number of these industry stakeholders say that an increase in the deposit rate will not necessarily increase the recovery rate and that public education and awareness can be as effective at increasing recycling at lower cost to consumers. An example of an educationally focused approach cited, is Alberta's threefold increase in investment in promotion and education, which may have contributed to Alberta's collection rate increase.

Some beverage industry stakeholders feel that a deposit rate increase may have a disproportionately negative effect on sales and/or purchasers of multi-unit drink packages. With discounted per-unit volume pricing, the non-discounted deposit represents a proportionately larger part of the total product cost, before redemption.

Some beverage industry and retail stakeholders note that the current BC system is already surpassing the 75% target in the regulation. Several argue that raising deposits would only capture a comparatively small additional fraction of containers relative to the higher cost to the customer at the point of purchase, with an estimated \$49 million increase in deposits paid out annually (before redemption) if deposits are increased by 5-cents. These stakeholders suggest that there are more cost-effective ways to increase recovery using focused strategies to target unredeemed containers.

Stakeholders in favour of increasing deposit rates primarily represent depots, municipalities, the street community, environmental advocacy organizations and the members of the public interested in this issue.



Most in this group suggest that increasing the deposit rate minimum will increase recovery rates, especially for containers consumed on the go. They note that current deposit rates have not kept pace with inflation and that the incentive is not great enough to drive improvement in recovery rates.

Those in favour of an increase in the minimum deposit levels recommend either adopting the same rates as Alberta (10 and 25 cents), or adopting a one-tier rate of 10 cents on all containers.

Proponents of a one-tier deposit of at least 10 cents die the simplicity and convenience of a single rate and advantages in terms of greater efficiencies (such as reduced container sorting time for customers and/or depots) and reduced fraud.



# TABLE 1: Stakeholder Comments Deposit Levels

Name / Organization	Stakeholder	Summary of Comments
Alliance of Beverage Ucensees of BC (ABLE), Raechelle Williams	Retail Association	<ul> <li>Support maintaining the existing deposit levels.</li> <li>Believe that increasing recycling rates can be achieved by public education and awareness.</li> <li>There are more cost effective approaches to increasing recycling rates than raising deposit levels at an estimated \$49 million to the consumer (if deposits were increased by \$0.05)</li> </ul>
Ann Johnston	Public	<ul> <li>We need to follow Alberta's leadership and raise our deposit levels and internalize recycling costs.</li> <li>Achieving [continuous improvement] requires a higher incentive if consumers are to dispose of their discards in a responsible way.</li> </ul>
Beverage Alcohol Container Management Council, John Nixon	Beverage Association	<ul> <li>One-tier deposit makes sense for all beverage alcohol containers regardless of size and, given the very high recovery rates, 10 cents is appropriate.</li> <li>If changes are to be made, they should not be announced with too much time between announcement and implementation because it would encourage hoarding.</li> <li>No comment on deposit rates for non-alcoholic containers.</li> </ul>
Blundell Return It, Azim Khimji	Depot	<ul> <li>Deposits should be increased. In these days of higher prices the level of deposit on returned bottles has been the same for many years to the point that consumers feel it's not worth their time or effort to go and return bottles.</li> </ul>
Brewers Distributors Ltd., Brian Cox	Beverage Association	<ul> <li>Supports an increase to the minimum threshold.</li> <li>Current deposit levels for containers in BC are causing confusion for consumers. Other jurisdictions, such as Alberta, show that a uniform minimum deposit level of \$0.10 leads to improved performance, including for beverages consumed away from home.</li> </ul>
British Columbia Bottle Depot Association, Corinne Atwood	Depot Association	<ul> <li>Deposit levels in BC should be raised to 10 cents and 25 cents to harmonize with Alberta.</li> <li>Deposit system rewards those who choose to recycle. The deposit system provides thousands of jobs in collection transportation and processing.</li> <li>The increases in deposits paid out by consumers (if deposit levels are increased) is not a cost to consumers that participate in the program, and should not be categorized as such, because deposits are refundable.</li> <li>The CRFs are actual consumer costs, which amounted to 55 million in 2010 alone. These costs are un-restricted and continue to increase year-over-year.</li> </ul>



		<ul> <li>Encorp claims that increasing the deposit rates will not have a significant impact on recovery rates. If the deposit rates are increased and recovery rates stay the same or are marginally higher this should mean that Encorp will have significantly more revenue through unredeemed deposits to finance the program, which should lead to a reduction in the non refundable container recycling fees paid by consumers at the time of purchase in addition to the required deposit.</li> </ul>
Canada's National Brewers, Brian Zeiler-Kligman	Beverage Association	<ul> <li>The minimum deposit level in BC should be increased to \$0.10.</li> <li>Regulation should maintain the minimum threshold with brand owners' freedom to change the deposit upwards, if it serves their commercial interest. This is especially true when minimum refund value is deflated from inflation, and may not work well as an economic instrument to incentivize recovery.</li> </ul>
Canadian Beverage Association, Jim Goetz	Beverage Association	<ul> <li>An increase in the deposit rate is not warranted based on the steadily increasing return rate in British Columbia. The beverage sector can best continue to increase return rates through effective communications, public awareness and programs that specifically target areas where beverage container return rates can be optimized (i.e. away from home).</li> <li>In terms of a one-tier deposit (10-cents), such a move would result in only a modest improvement for consumers on the front end and much of those improvements may have to be undone by the depots or Encorp Pacific on the back end for sorting, verification and accounting purposes.</li> <li>Determining whether reducing sorts from 19 categories to 12 categories of containers (from a one-tier deposit) will actually yield significant improvement in consumer efficiency (and if so by how much) requires time and motion studies, as containers will still have to be sorted.</li> <li>It is unclear whether moving from 19 to 12 categories for the consumer will actually yield improvements at depot.</li> <li>Increasing the deposit on small containers would require Encorp Pacific to increase its cash float by more than \$10 million. This will result in an immediate cost to the system.</li> <li>In addition, increasing deposit rates would create an immediate liability of up to \$5 million for the beverage sectors for the refunds of containers in transit.</li> <li>Encorp Pacific would have to implement additional internal controls and fraud prevention as smaller containers (which make up a significant portion of the volume) would become more valuable. This will add additional cost to the system.</li> </ul>



Canadian Bottled Water Association, Elizabeth Griswold	Beverage Industry	<ul> <li>The current deposit-refund level is working. Given the current state of the province's economy, it would be unwise to increase deposit-refund levels to capture the remainder.</li> </ul>
Capital Regional District (CRD), Wendy Dunn	Regional District/Municipality	<ul> <li>Adjustments to deposit levels are vital to increasing recovery systems.</li> <li>There are many benefits to simplifying the deposit rates to a one or two-tier system, such as a reduction in sorting required and less confusion for the public.</li> </ul>
Carton Council of Canada, Elizabeth Comere	Packaging Industry Association	<ul> <li>Do not support an increase in deposit levels. Increasing deposit levels would have a detrimental impact on the sale of small, lower cost beverage products.</li> <li>Supports a Ministry review involving an assessment of the potential benefits and risks of a one-tier deposit level if this effort were coordinated with other provinces to promote a harmonized approach and ensure there is no extra financial burden on the consumer.</li> <li>Highlights the impact of deposits on multi-unit retail packages. The intended benefit of this packaging format to consumers is increased affordability and accessibility to those who need it most. In British Columbia, each unit attracts a deposit, regardless of whether the unit is sold individually or in a multi-pack. This requirement should be reconsidered. The deposit on multi-unit packs represents a higher proportion of the total price than larger individual beverage with a similar volume, and is unfair to consumers buying multi-unit packs to stretch their dollar further and improve convenience.</li> </ul>
City of Vancouver, Monica Kosmak	Regional District/Municipality	<ul> <li>Strongly supports deposits. Deposits provide an economic incentive to recyde.</li> <li>Continuous improvement provision suggests that there may need to be an increase to keep the recovery rate moving upward.</li> <li>There is a statistically significant correlation between higher deposit levels and higher return rates in other jurisdictions. Since the recovery rates for some containers have plateaued, there is merit in considering an increase in deposit levels.</li> <li>The recovery rates achieved by the deposit-refund programs are critical for achieving our 2020 zero waste target.</li> <li>It is appropriate that the total value of deposits on multi-unit drink packs would be proportionally greater than on large volume containers, since multi-unit drink packs have a higher packaging-to-product ratio. Ideally the higher cost of deposits on multi-unit packs would encourage consumers.</li> </ul>



Columbia Bottle Depot, Clare Cassan	Depot	Deposits are the incentive for the consumer to do the right thing and recycle.     Five cents isn't enough. We should mirror the Alberta rates.
Cowichan Valley Bottle Depot, Vince Spronken	Depot	<ul> <li>Raise the minimum deposit levels to a ten cent level for all containers one litre and smaller, and maintain 20-cent deposit for containers over one litre.</li> </ul>
Denman Island Waste Management, Robert French	Depot	<ul> <li>In favour of one-tier deposit for all containers.</li> <li>One deposit would enhance convenience and efficiency for depot customers and depot operators alike.</li> </ul>
Dennis Kinsey	Consultant	Supports a one-tier deposit level
Encorp Pacific, Neil Hastie & Bill Chan	Industry Stewardship Organization	<ul> <li>Since Encorp has shown continuous improving its recovery rate over the ten year period (2001-2011) it is our view that the current deposit level for beverage containers strikes the right balance between achieving optimum environmental outcomes while avoiding negative consumer, brandowner, and system impacts.</li> <li>Increasing the deposit level would require Encorp to increase its cash float requirement by an excess of \$10 million resulting in additional costs to the system; plus an immediate \$6 million dollar liability which would have to be absorbed by the beverage sector due to a potential deposit increase to refund for containers in transit as of the change date.</li> <li>Increasing the deposit level will require additional internal control and fraud protection as these containers become more valuable leading to an increase in depot break-ins and theft. This also includes fraud prevention at the consumer level as a result of attracting more containers from the US that are then redeemed in BC.</li> </ul>
Federation of Independent Grocers, Gary Sands	Retail Association	Deposit levels should not be changed:
Food and Consumer Products of Canada (FCPC), Rachel Kagan	Beverage Association	<ul> <li>FCPC supports maintaining the current deposit levels. The performance of BC's beverage container recovery program, operated by Encorp Pacific, is continuously improving year over year. The program had an 80.4% recovery rate in 2010, up from 72.4% recovery rate in 2006.</li> <li>Deposit levels are not the only factor that contributes to a successful recovery program. FCPC and its members believe that consumer education and awareness is a critical component for all stewardship programs.</li> </ul>
Galiano Island Recycling	Not-for-Profit	Strongly support the deposit system and agree that deposit amounts should be increased to a minimum of 10 cents and 25



Resources (GIRR), Nadia		An increase will create a greater awareness of the need to
Krebs	-	recycle and be an added incentive to return containers.
Helen Spiegelman	Public	<ul> <li>Increase the deposit on small containers and decrease the deposit on large containers, for a one-tier deposit on all containers.</li> </ul>
Jim Cairns	Public	<ul> <li>The proven incentive of D/R results make this option mandatory at this juncture in our evolution to a more sustainable society. The impact of increased levels should encourage and motivate consumers to return it to redeem their deposit.</li> </ul>
Juice Council of British Columbia, Dan Wong & Rob Fletcher	Beverage Association	<ul> <li>Do not change (raise) deposit levels. Present levels are already surpassing targets – The marginal benefit in recovery rates, if any, does not justify the Incremental cost to BC consumers.</li> <li>Need to assess what are the incremental performance improvements related to cost increases. Detailed analysis suggests that targeting hard-to-reach segments such as multifamily residences and public spaces is more likely to generate meaningful increases in recovery than raising deposit rates.</li> <li>An increased deposit will impose a financial burden upon BC consumers, which in turn will negatively affect sales, especially on small multi-packs. These products are positioned for price-sensitive shoppers and are especially popular with families.</li> <li>The existing twc-level deposit provides some ability to scale the deposit in relation to the product's selling price – an important instrument for incentivizing recovery without pricing products beyond consumers' ability to pay.</li> </ul>
Langley Bottle Depot, Hanif Devil	Depot	<ul> <li>The current deposit level of non alcoholic beverage containers should take an increase of 5-cents.</li> </ul>
Liquor Distribution Branch, Gord Hall	Retail	Deposit levels on alcoholic beverages should not be changed.
Marie Roulleau	Public	Increase 5-cent deposit.     Larger container should have a large deposit.
Metro Vancouver, Andrew Doi	Municipality	<ul> <li>Metro Vancouver's board believes that increasing deposits may help improve return rates. This is especially important for containers consumed on the go.</li> </ul>
MGM, Mark McKenny	Consultant	<ul> <li>Deposit increase would mean \$49 million out of consumers' pockets.</li> </ul>
Naniamo Bottle Depot, Paul Shorting	Depot	<ul> <li>A one-tier deposit is beneficial to all parties involved in the recycling industry.</li> <li>Changing the deposits to a higher level (10cents) will increase the interest and incentive to recycle more containers and eliminating</li> </ul>



		the number one complaint within our industry from our valued customers (frustration of wasting valuable time and trying to figure out what containers get sorted together).  • implementing the one level deposit would allow depots to move customers through their facilities in a more timely fashion, enhancing the customer experience and furthermore, enabling the depots for introducing technology of sorting containers.
Nestle Waters, John Challinor & John Zupo	Beverage Company	<ul> <li>Deposit levels should not be changed.</li> <li>Small difference in recovery rates between AB and BC despite gap in deposit value.</li> <li>It would be damaging to Nestle Waters to increase deposit-refund levels to capture our outstanding beverage containers.</li> <li>Deposit increase is unnecessary, given the rate would be increased to focus on capturing only an additional 10% at most.</li> </ul>
Pender Island Recycling Society, Richard Philpot	Depot	<ul> <li>Support a significant increase in deposit levels, with the belief that higher deposit rates will result in an increase in consumer redemption</li> <li>A one-tier deposit program would simplify the return system and encourage the purchase of larger containers over small, single serving sizes.</li> </ul>
Pepsi Cola, Neil Antymis	Beverage Company	<ul> <li>Pepsi Cola is opposed to any consideration of a deposit level increase.</li> <li>Consumers would spend approximately \$49 million more at time of purchase.</li> <li>Lower income families in BC will be impacted to a larger degree as the total cost at time of purchase will increase dramatically on some packages - particularly small container multi-packs.</li> </ul>
Port Coquitlam, Andrew Wood	Regional District/Municipality	<ul> <li>Deposit refund levels should be increased two-fold from the current fee structure based on the container size and beverage type.</li> </ul>
Recycling Council of British Columbia, Brock MacDonald	Environmental Organization	<ul> <li>A change should be made in the deposit amounts to reflect a uniform deposit level across the product category regardless of the size.</li> <li>RCBC endorses a single deposit amount for all beverage containers that is higher than the current lowest deposit rate.</li> </ul>
Regional District of Bulkley- Nechako, Janine Dougall	Regional District/Municipality	<ul> <li>Supports a one-tier deposit level.</li> <li>Supports an increase but cautions that the street community could be affected.</li> </ul>
Regional Recycling, Rod Lotzkar	Depot	<ul> <li>Our main recommendation to achieve the goal and objectives is to streamline the deposit system to a single tier 10¢ deposit.</li> <li>The current 3 tier system requires extensive handling and sorting by the consumer. Return-It requires 20 sorts for 5 material categories. Beer, 2 sorts. This takes too much time and</li> </ul>



		<ul> <li>programs. For a few, this is a barrier to recycle as it is "not worth the hassle" or "takes too much time".</li> <li>Changing to a single tier deposit would allow the use of existing automated counting technologies to further expedite the consumer experience. Less sorting would also be required in the back end of the operation as size limitations would no longer exist better effort at recovery and a higher reward.</li> </ul>
Resort Municipality of Whistler, Michael Day	Regional District/Municipality	<ul> <li>Ultimately, the cost will be borne by those who don't recycle.</li> <li>Deposits should be raised from 5 cents. 5 cents no longer means at much as it did.</li> <li>One-tier deposits would be easier for customers to understand and would enable depots to process customers much faster. This would likely increase participation.</li> </ul>
Retail Council of Canada, Allan Langdon	Retail Association	<ul> <li>RCC and our members could not support an increase in deposit levels at this time.</li> <li>The overall impact on consumers of raising the deposit from 5 cents to 10 cents is approximately \$49 million annually, which represents a significant amount of consumers' discretionary income that can no longer be used for other purposes. Given the considerable cost to consumers, we think it would be prudent to examine other strategies that could be employed, such as targeted consumer awareness campaigns focused on key demographic groups.</li> </ul>
Richmond Bottle Depot, Anil Kotadia	Depot	Increase deposit levels to 10-cents and 25-cents.
Rick Weik	Recycler/hauler	<ul> <li>Increase deposits on all containers — 10-cents and 30-cents. Does not support a one-tier deposit of 10-cents. If one tier, it should be much higher (20-cents or 25-cents for example)</li> </ul>
Sierra Club, George Heyman	Not-for-Profit	<ul> <li>We strongly support take-back container deposits, and urge an increase in deposit levels to harmonize with Alberta and to keep pace with inflation.</li> </ul>
Sanny	Public	<ul> <li>One-tier deposit would make larger-volume collection easier from a customer sorting perspective.</li> </ul>
Squamish Lilooeet Regional District (SLRD), Brooke Carrere	Regional District/Municipality	<ul> <li>Mayor of Squamish Lilooeet Regional District (SLRD) suggested increasing the deposit to a higher value to be more consistent with inflation.</li> </ul>
Sue Maxwell	Public	<ul> <li>Increase the deposit rate. The rates should match Alberta's at a minimum or ideally be higher.</li> </ul>
The Bottle Depot, Darcy	Depot	<ul> <li>One flat rate deposit would allow for faster and easier service when the containers are returned.</li> </ul>



Hipwell		<ul> <li>Would enable consumers and our staff to just count containers, rather than sort them into container types when people come in to return their containers. Additional sorting would be done by the depot staff.</li> <li>Faster, more efficient service would encourage more consumers to return their containers.</li> <li>The deposit level should be raised. A five cent deposit is no longer a sufficient incentive for people to return their containers.</li> <li>Consumers who recycle beverage containers are fully refunded for the deposits they pay.</li> <li>Deposit levels should be at a flat rate that is a minimum of ten cents per container, though we believe a rate of twenty or twenty five cents would provide a greater financial incentive and thus a higher recovery rate.</li> </ul>
Ucluelet Bottle Depot, Ann Kim	Depot	<ul> <li>Suggests an increase of deposits from 5 to 10 cents for containers that are up to and including 1 litre, and 20 to 25 cents for containers over 1 litre.</li> </ul>
United We Can , Ken Lyotler	Not-for-Profit	<ul> <li>Supports increase in deposit level but suggests that the increase be significant to have an effect on behaviour.</li> <li>A one-tier deposit is preferred.</li> </ul>
Willowbrook Recycling , Savannah Paine	Depot	Convenience is king. Keep it simple. A one-tier deposit would increase participation and increase recovery rates.  5 cents will mean nothing in 10 years.



### Return to Retail

Section 6 of Schedule 1 requires that a retailer must accept containers for return and pay to the person returning the containers a cash refund in an amount not less than the minimum deposit value. In addition, no more than 24 containers per day can be returned to retailers not identified in the approved plan. These retailers may apply to the MOE for a reduction of the 24 containers per day requirement to 6 containers per day if they can prove adequate redemption depot facilities exist nearby. Specifically:

- 6 (1) A container redemption facility or, subject to subsection (2), a retailer whose premises are not identified in an approved plan, must accept containers for return and pay to the person returning the containers a cash refund in an amount
  - (a) not less than the amount set out in Table 1, or
  - (b) If the amount of deposit collected is greater than the amount in Column 2 for the container size and beverage type set out opposite in Column 1, not less than the deposit amount collected.
- (2) Subject to subsection (3), a person may return for refund to a retailer not more than 24 containers per day that are of the same beverage container subcategory and brand that the retailer sells.
- (3) If the director determines that there are adequate container redemption facilities and retailers in a regional district, a person may return for refund to a retailer not more than 6 containers per day that are of the same beverage container subcategory and brand that the retailer sells to consumers.
- (4) Subsections (2) and (3) do not apply to the return of containers to a retailer whose premises is identified as a container redemption facility in an approved plan.
- (5) A container redemption facility or retailer is not required to accept a container, or pay a cash refund for a container, if the container
  - (a) is contaminated, rusty or dirty.
  - (b) can be reasonably identified as a container that was purchased outside of British
     Columbia, or
  - (c) cannot be reasonably identified as a container to which this Schedule applies.

The question for review is whether the retail requirements require amendments in an effort to improve the program performance.



### Summary of Consultation Input

### Return to Retail (R2R)

Options for regulatory amendment, as well as no change to the existing provision were suggested by stakeholders. These are:

- Maintain the R2R provision as is (no change);
- Eliminate the R2R requirement for non-alcoholic beverage containers and implement a phased withdrawal from R2R in most areas of the province, with exemptions for areas in which depot availability is limited.

Members of the public, environmental organizations, domestic brewers, the refillable beverage industry, and municipalities consistently support maintaining the existing R2R mandate with no change. They say that the existing retail collection network works well and is convenient, especially for on-the-go recycling. They note that amending the provision to shift away from R2R would adversely impact returns from population segments with limited mobility or using alternative transportation (i.e. seniors, bike or motorcycle riders, walkers, public transportation users, etc.)

Stakeholders representing depots have varying views on the R2R requirement, but are generally united in their perspective that, at most, retailers should handle only a small proportion of container returns and the bulk of returns should be to depots.

Stakeholders representing retailers, grocers and beverage companies (excluding brewers) consistently support elimination or amendment of the R2R provision so that R2R becomes a voluntary program. They point to transportation inefficiencies that occur when only a small number of containers requires collection from a retail location (up to 10 times less volume per pick-up compared to depots), and find that these inefficiencies are increasing as the level of containers returning to retail continues to drop. They say a process of phasing out the R2R requirements should be supported by mechanisms like a public education campaign and mobile depots. They believe that there is adequate depot capacity for non-alcohol beverage container returns, with some exception areas that can be treated differently.

Retail stakeholders also cite problems with R2R including health and safety issues associated with post-consumer material contamination, high costs, space availability, and increased nuisance and loitering outside of the store from members of the street community redeeming containers.



# TABLE 2: Stakeholder Comments Return to Retail (R2R)

Name / Organization	Stakeholder	Summary of Comments
Alliance of Beverage Licensees of BC (ABLE), Raechelle Williams	Retail Association	<ul> <li>Support maintaining existing R2R provision in the regulation</li> <li>Inequities in the treatment of LRS and Government Liquor Stores (GLS) in terms of remuneration for accepting wine, spirits and import beer containers must be addressed.</li> <li>Encorp Pacific provides free collection of redeemed containers for LDB-owned GLS, yet LRS must either pay a depot to pick up the wine, spirits and import beer containers or deliver them directly to a depot. We further understand that the LDB charges container eco-fees to wine, spirit and imported beer consumers and transfers those fees to Encorp Pacific which, in turn, pays LDB's GLS for redeeming those containers yet the LDB does not pay the same handling fee to LRS. We expect that equality in remuneration would increase willingness of LRS support the program.</li> <li>ABLE has been working with BDL to expand and improve the existing bottle return program for LRS. BDL has agreed to address issues which have precluded LRS from participating in the program and we believe these changes will also expand that existing program.</li> </ul>
Ann Johnston	Public	<ul> <li>Do not get rid of R2R provision.</li> <li>Convenience is a driver for return behaviour, especially for those that do not drive or for seniors and eliminating R2R would make life very difficult for those that want to return but are not close to a depot.</li> </ul>
Aquaterra Corporation, Mengo McCall	Beverage Company	<ul> <li>R2R is important for refillables. Reverse logistics is only possible when the retailer is involved. Reverse Vending should be considered as stand alone options as well (e.g., Japan).</li> </ul>
Beverage Alcohol Container Management Council, John Nixon	Beverage Association	R2R should be voluntary - should be transitioning out of retail
Brewers Distributors Limited, Brian Cox	Beverage Association	<ul> <li>If the objective is that the change in the law will result in "no less effective program," then having a minimum return requirement is logical, along with a requirement to show coverage.</li> <li>Existing footprint is effective, why undermine it? More benefit to the public and performance to keep it as is.</li> <li>Regulation should maintain or enhance at the least cost to the consumer – if R2R is eliminated one group of consumers</li> </ul>



British Columbia	Depot Association	who do not have access to depots, would be adversely affected (even a mere 10% of containers).  Numerous and convenient return locations are key factors in attaining high recovery rates.  The BCBDA does not support the complete exit of return to
Bottle Depot Association, Corinne Atwood		retail, but supports a return to retail system that includes further expansion to depots.  In regards to beer containers the BCBDA feels that there is some work to be done to expand the collection system so that more depots can provide full refund.  Perhaps the time has come for all manufacturers to accept the wishes of not only the depot and return to retail industry but the people of BC and develop the necessary changes to create a level playing field.
Canada's National Brewers, Brian Zeiler-Kligman	Beverage Association	<ul> <li>Return-to-retail provisions in Schedule 1 should be retained</li> <li>Inequities in the treatment of retail liquor stores and Liquor Distribution Branch (LDB) stores in terms of remuneration for accepting wine and spirits containers need to be addressed.</li> <li>BDL has always viewed return-to-retail as a cornerstone of their system and a driver of its industry-leading recovery rate. Return-to-retail is critical to improved performance.</li> </ul>
Canadian Beverage Association	Beverage Industry Association	<ul> <li>Given the high return-to-depot vs. return-to-retail rate, the government should give consideration to making the R2R requirements voluntary in areas where there is adequate depot coverage.</li> </ul>
Canadian Bottled Water Association	Beverage Association	<ul> <li>It is unnecessary to continue to require the retail sector to accept beverage containers, other than in those jurisdictions where there is no depot system in place.</li> <li>Retailers should have the option of accepting beverage containers, other than those jurisdictions where there is no depot system in place.</li> </ul>
Capital Regional District (CRD)	Regional District/ Municipality	<ul> <li>Considering that the depot system handles 90% of container returns and there are food and safety issues in some return to retail operations, we are supportive of a hybrid approach that allows for flexibility in the R2R provision.</li> <li>This could be implemented in locations where reasonable access to local depots is available.</li> </ul>
City of Vancouver, Monica Kosmak	Regional District/Municipality	<ul> <li>Strongly support the mandatory return-to-retail requirement.</li> <li>In dense urban areas such as Vancouver, where the cost of land and neighbourhood opposition may be prohibitive to depots, return-to-retail is essential for providing a broad network of return locations.</li> <li>Support for R2R, and at the same time, to target additional</li> </ul>



		market segments, we will engage stewards to consider innovative return methods such as mobile return units, reverse vending machines, direct collection from multi-family buildings and businesses, street recycling bins, etc.  • The City of Vancouver plans to make the majority of trips taken by 2020 taken by bike, transit or foot. This shortens the "convenient distance" for consumers, and will require neighbourhood scale collection systems.  • In dense urban areas, return-to-retail is important for providing a broad network of return locations.
Columbia Bottle Depot, Clare Cassan	Depot	<ul> <li>Although the volume returned to retail has shrunk over the years, it is still the only alternative for many British Columbians (they don't drive, no depots available in many metro and rural areas).</li> </ul>
Cowichan Valley Bottle Depot, Vince Spronken	Depot	<ul> <li>Make R2R voluntary except in large urban areas that are under-serviced.</li> </ul>
Dennis Kinsey	Consultant	Supports existing R2R provision.
Encorp Pacific, Neil Hastie & Bill Chan	Industry Stewardship Organization	<ul> <li>It is Encorp's view that, in those areas where there is a well developed depot network in place, the election to accept containers for refund should be left to the retail grocer.</li> <li>The cost for Encorp to pick up at the 360 retail stores is approximately 3 times higher than picking up at its 172 depots. Annual transportation cost for used beverage containers is \$12 million.</li> </ul>
Federation of Independent Grocers, Gary Sands	Grocery Industry Association	<ul> <li>Members do not support R2R provision. Food safety and space are primary concerns for members.</li> </ul>
Gallano Island Recycling Resources (GIRR), Nadia Krebs	Not-for-Profit	<ul> <li>Strongly support the continuity of R2R.</li> <li>Removing it makes access to refund impossible in some cases.</li> </ul>
Helen Spiegelman	Public.	<ul> <li>Eliminate the R2R requirement for non-alcoholic beverage containers and implement a phased withdrawal from R2R in most areas of the province, with exemptions for areas in which depot availability is limited.</li> </ul>
Jim Cairns	Public	<ul> <li>This (R2R) should not be discouraged as we evolve to a more sustainable society – Free choice for consumer to return to either retail or depot.</li> </ul>
Juice Council of British Columbia, Dan Wong & Rob Fletcher	Beverage Industry	<ul> <li>Mandatory provision should be repealed. Give retailers the option to collect or not. This would provide both flexibility and rationality in the marketplace, improving depot throughput and allowing retailers to structure their operations in the way that makes the most sense for the market area.</li> </ul>



		Supports a voluntary approa- loaf' to depots and retailers encouraging the collection cas occurs in AB, would maxi-
Langley Bottle Depot, Hanif Devji	Depot	<ul> <li>Request that the retail store should not accept any conta nearest bottle depot locatio</li> </ul>
Liquor Distribution Branch, Gord Hall	Retailer	The Liquor Distribution Brancurrent 24 container return significant concern with the encourages people to return than depots
Lisa Chou	Public	Uses the depots as they are     Would prefer if all container     "one-stop returning"
Metro Vancouver, Andrew Doi	Municipality	<ul> <li>No consensus within local go be mandatory.</li> </ul>
Naniamo Bottle Depot, Paul Shorting	Depot	<ul> <li>Return to Retail allows for containers and eliminating this point of return rates therefore, not be increase the recovery rate of containers that are currently.</li> <li>Adjusting the regulation to recontainers per day should be changes are made.</li> </ul>
Nestle Waters, John Challinor & John Zupo	Beverage industry	Take-back requirements for "dirty business." Cleanliness considered.  It is unnecessary to continue Page 72 accept MOE V20 F age 72 accept MOE V20 F accept MOE V20

Andrew Wood	District/Municipality	containers per day per perso
Recycling Council of British Columbia, Brock MacDonald	Not-for-Profit	<ul> <li>R2R provision should stay. M compromise but the street or</li> </ul>
Regional District of Bulkley-Nechako, Janine Dougall	Regional District/Municipality	<ul> <li>Supports the R2R provision befor community groups and de</li> <li>BDL must review bulk return</li> </ul>
Regional Recycling, Rod Lotzkar	Depot	<ul> <li>We would support a review of beverage containers if it is be and a couple pilot programs.</li> <li>It must allow the complete exist is very practical and would more than help.</li> <li>Should gain a solid understannext review.</li> <li>For Beer we can not support and would suggest that it be</li> </ul>
Resort Municipality of Whistler, Michael Day		<ul> <li>Support for R2R. Convenience more trips taken on foot, bik</li> <li>Must consider if a repeal of Fincrease or decrease in recovery</li> </ul>
Retail Council of Canada, Allen Langdon	Retail Association	<ul> <li>RCC and its members do not regulatory requirements for and packaging to be returned.</li> <li>The average number of cont is 2,400 containers compared the level of containers return drop, it becomes increasingly up small amounts of container.</li> <li>Eliminate the mandatory return alcoholi@a@q791tainers under the Implement a phased withdra</li> </ul>

Richmond Bottle	Depot	Eliminate R2R provision
Depot, Anil Kotadia		All containers should be returned through depots
Safeway, John Graham	Retailer	<ul> <li>Food safety is number one priority for his store. Taking garbage into the retail area is not compatible with the store's efforts to be clean and safe.</li> <li>R2R could be voluntary but should not be mandatory</li> </ul>
Sierra Club, George Heyman	Environmental Organization	<ul> <li>While convenience of return is a behaviour driver for a certain number of consumers, we believe that economic incentive is a much stronger driver for consumer participation.</li> </ul>
Sue Maxwell	Public	<ul> <li>Mandate that retailers should be required to accept all beverage containers, not just the ones they sell as this is inefficient and frustrating for consumers.</li> <li>Barriers should be removed to having consumers be able to easily return their container to the stores where they bought them. This will be particularly important when deposits are raised as this should drive an increase in consumers returning their own containers.</li> <li>In addition, it helps to decrease the number of trips needed for consumers to do their errands which has time and GHG benefits.</li> <li>It will also help to encourage refillables and consumer behaviours of bringing things to the retail stores (such as reusable bags).</li> <li>Increase the return level to 5 dozen at a time for all retailers, not just ones in certain areas (i.e. remove the restriction regarding areas well-served with collection facilities).</li> </ul>
The Bottle Depot, Darcy Hipwell	Depot	<ul> <li>R2R component is an important part of a successful return program and high recovery rates and should continue to be available.</li> <li>Convenience to the consumer is paramount to a successful program and there are significantly greater numbers of return locations through retail.</li> <li>R2R allows for a convenient return location for people with limited mobility (e.g. seniors) and people who walk, bike, or take public transit.</li> <li>Retailers benefit from the sale of these containers, and should take some responsibility for the return of the containers.</li> <li>Removing R2R would translate into lower return rates.</li> <li>Current regulation allows for a reduction of return to 6 containers per person per day. This should be encouraged before any additional changes are made.</li> </ul>
Ulounge, Loralee Janssen	Retail	Eliminate R2R provision.     Current R2R requirement is costly; and poses health and safety.



		issues
United We Can, Ken Lyotier	Nat-for-Profit	<ul> <li>Support for maintaining R2R in downtown Vancouver.</li> <li>A voluntary approach may be preferable but there are several obstacles that need to be reviewed.</li> </ul>
Willowbrooke Recycling, Savannah Paine	Depot	<ul> <li>Repealing the R2R provision may be beneficial to depot business but those that go to retail to return right now are doing so because it is more convenient</li> <li>There is no guarantee that those the use retail for returns now will go to depots later.</li> <li>The system may lose some recovery if R2R is dropped.</li> </ul>



## Container Design and End-of-Life Management Requirements

Section 7 of Schedule 1 contains container design requirements that all beverage containers be refillable or recyclable.

Section 8 mandates that redeemed beverage containers must be refilled or recycled and prohibits their disposal through landfilling or incineration.

Specifically, these sections are:

#### Section 7

- A seller must offer for sale or sell a beverage only in a container that can be refilled or recycled.
- (2) A seller must not offer for sale or sell a beverage
  - (a) in a metal container that is opened by use of a rigid metal pull-tab which can be removed from the container, or
  - (b) in a container that bears any label, mark, stamp or inscription which indicates that the container cannot be returned for refund.

#### Section 8

- A producer must ensure that its redeemed containers are refilled or recycled.
- (2) A person must not dispose of redeemed containers in a landfill or incinerator.



## Summary of Consultation Input

## Container Design and End-of-Life Management Requirements

Options for regulatory amendment, as well as no change to the existing provisions were suggested by stakeholders. These are:

- Maintain the design for recycling or refilling requirements and the prohibition against landfilling or incineration of redeemed beverage containers in sections 7 and 8 as they stand (no change);
- Amend or eliminate the provisions in sections 7 and 8 to be consistent with the
  pollution prevention hierarchy in section 3 of the Recycling Regulation

It is noted that currently stewardship plans are approved if they meet the pollution prevention hierarchy in section 3 of the Recycling Regulation. The hierarchy includes the following (a) reduce . . . (b) redesign.. (c) eliminate or reduce unused portions.. . . (d) reuse . . . (e) recycle the product; (f) recover energy from the product (g) otherwise dispose . . . The Beverage Schedule is not consistent with the entire pollution prevention hierarchy identified in section 3 of the Recycling Regulation.

Nearly all stakeholders from environmental and social organizations, brewers, wine and spirits producers, depot owners, municipalities and members of the public engaged in these issues support maintaining the existing provisions in sections 7 and 8 with no change.

Some of these stakeholders also expressed interest in mechanisms to increase the use of refillable containers, but other stakeholders commenting on this subject say that refilling should remain a business decision and not be mandated by the province.

Many stakeholders from the non-alcoholic beverage industry, stewardship agencies, and packaging suppliers support changing the current provisions in sections 7 and 8 to expand the available end-of-life management options for beverage containers.

These stakeholders express a desire to be able to use the best available technology (such as EFW or composting) when recycling markets are not viable. They also say that technology has improved and when proper standards are put in place other approaches may sometimes prove to be environmentally and economically preferred to recycling or refilling. An example cited is allowing the use of EFW to manage lightweight laminated packaging that uses a small amount of material but is difficult to recycle.

Some stakeholders point out that the "2R" (reuse, recycle) focus of the current provisions on container design and end-of-life management in schedule 1 is not consistent with the broader pollution prevention hierarchy outlined in the Recycling Regulation and applied to all other products addressed by the regulation.



# TABLE 3: Stakeholder Comments Container Design and End-of-Life Management Requirements Recycling

Name / Organization	Stakeholder	Summary of Comments
Ann Johnston	Public	<ul> <li>We must not only retain this provision but we must begin to enforce it.</li> <li>Adamantly against any change that opens up the possibility of incineration (EFW)</li> </ul>
Beverage Alcohol Container Management Council, John Nixon,	Alcohol Industry Association	<ul> <li>Supports recyclability provision, provided common sense is used. As an example, the very high cost to move glass could be avoided if in remote areas it could be crushed and used for aggregate in various purposes.</li> </ul>
Brewers Distributors Ltd., Bryan Cox	Beverage Association	Fully support requirement that containers must be refilled or recycled     Reuse and recyclability provisions in Schedule 1 should be retained
British Columbia Bottle Depot Association, Corinne Atwood	Depot Association	<ul> <li>The BCBDA believes the manufacturer should choose their packaging following the hierarchy of recycling without the newly added energy from waste (EFW) option.</li> <li>If the manufacturer uses materials that cannot be recycled the manufacturer should be deemed not in compliance and fined appropriately and the offending container removed from sale.</li> <li>Amend the provision to read "A person or producer, must not dispose of redeemed containers in a landfill or incinerator".</li> </ul>
Canada's National Brewers, Brian Zeiler-Kligman	Beverage Association	<ul> <li>The pollution prevention hierarchy should be amended to remove EFW being considered a form of recycling.</li> <li>Reuse and recyclability provisions in Schedule 1 should be maintained</li> </ul>
Canadian Beverage Association, Jim Goetz	Beverage Association	<ul> <li>For beverage container materials for which there is no viable end market or where recycling is not feasible (such as stand up laminated juice pouches) the government should give consideration to permitting energy recovery (EFW) as a next best option.</li> <li>Conditions for when this option can or cannot be used should be clearly defined by the government.</li> </ul>
Canadian Bottled Water Association, Elizabeth Griswold	Beverage Association	<ul> <li>All beverage containers sold in British Columbia can be recycled, except those that are contaminated through the collection process. It is recommended that they be used as a fuel source in an energy-from-waste (EFW) application, given their high energy content (i.e. BTU value).</li> </ul>



Capital Regional District (CRD), Wendy Dunn	Regional District /Municipality	<ul> <li>Materials that do not have a recycling market, such as drinking pouches, should not be allowed to be sold in BC.</li> <li>Support the provision that containers must be recycled or reused as it encourages design for the environment.</li> </ul>
Carton Council of Canada, Elizabeth Comere	Packaging Industry Association	<ul> <li>Encourages the Ministry to investigate a wider range of diversion options that facilitate a transition from a 2R approach to a 3R waste hierarchy (Prevention, Recovery, Landfill) consistent with other stewardship programs in British Columbia.</li> <li>The current provision that containers must be recycled or refilled is restrictively narrow and may result in a number of unintended consequences. First, the provision emphasizes the wrong level of the "R's" hierarchy. For instance, favouring recycling and refilling over reduction could result in packaging choices that inherently use more materials, resources or have a greater environmental footprint.</li> </ul>
City of Vancouver, Monica Kosmak	Regional District/ Municipality	<ul> <li>Current prohibition of landfilling and incineration are appropriate. Given that refillable and recyclable containers are widely available, the prohibition should remain.</li> <li>Strongly support the container design and management requirements in Schedule 1</li> <li>These design requirements actually enforce the pollution prevention hierarchy in the body of the regulation and are the province's most powerful tool for driving design for environment.</li> <li>The pollution prevention hierarchy in the regulation is not meant to be interpreted as a menu of acceptable waste management options. By definition, the hierarchy illustrates the importance of moving waste management to the highest levels.</li> <li>The design requirements set an example for the other Schedules in the Regulation, particularly Schedule 5 Packaging and Printed Paper.</li> <li>Mandating refillable and recyclable containers is consistent with a results-based approach, given that management at the top of the hierarchy is the desired result of EPR.</li> <li>Containers that are not refillable or recyclable should not be allowed on the market.</li> <li>The design and end-of-life management requirements in Schedule 1 are indeed consistent with the pollution prevention hierarchy in the body of the regulation.</li> <li>They actually enforce the preferential order of reuse and recycling over energy recovery and landfilling. As such, the language in Schedule 1 is the province's most powerful tool for</li> </ul>



		driving design for environment and waste management up the hierarchy. It sets an example for other stewardship programs, and a similar approach should be applied to other schedules in the regulation to create a level playing field.  To further enforce the pollution prevention hierarchy, the design requirements would be enhanced by setting specific targets for reusable/refillable containers, gradually phasing in higher targets for refillable containers compared to recyclable containers over time.
Columbia Bottle Depot, Clare Cassan	Depot	Keep recyclability provision.
Cowichan Valley Bottle Depot, Vince Spronken	Depot	Provision 7 &8 should remain the same.     Non-recyclable/refillable containers should be allowed to be sold in BC     Energy from waste should not be sanctioned.
Denman Island Waste Management Company, Robert French	Depot	<ul> <li>Beverage containers should not be included in any EFW programs as this would tend to encourage producers to create non-recyclable packaging that is suitable only for incineration.</li> </ul>
Dennis Kinsey	Consultant	EFW for beverage containers is not a good idea
Encorp Pacific , Neil Hastie & Bill Chan	Industry Stewardship Organization	<ul> <li>Section 7 &amp; 8 provision whereby containers must be recycled and or refilled is inconsistent with the recycling regulation (section 3) specifically the pollution prevention hierarchy whereby "(3)(f) recover material or energy from the product" is accepted in other approved stewardship plans and continues to be accepted in new approved stewardship plans</li> </ul>
Food and Consumer Products of Canada (FCPC), Rachel Kagan	Beverage Association	<ul> <li>Manufacturers currently using pouches should not be penalized for using materials that may not currently be compatible with existing recycling and processing systems, or that don't have end markets in place.</li> <li>Support Encorp in their work to find a suitable solution in having all of its containers recycled in established markets in a cost effective manner, including drinking pouches, which represent 0.7% of the total beverage market.</li> <li>It takes time, resources, infrastructure and demand to develop end markets for such materials and we encourage the government to be patient during this process.</li> <li>Supports measures that acknowledge the dynamic nature of product and packaging design innovation, and that promote flexibility within the program to achieve efficiencies while meeting higher diversion targets.</li> </ul>
Galiano Island Recycling Resources (GIRR), Nadia Krebs	Not-for-Profit	Fully support sections 7 & 8.     Other extended producers should look to these important sections as models.



		Why would we lower our expectations and allow the production of containers that have no useful reusable life beyond their first use? Adamantly opposed to any alterations which support EFW (Energy From Waste)
Helen Spiegelman	Public	<ul> <li>Maintain the design for recycling or refilling requirements and the prohibition against landfilling or incineration of redeemed beverage containers in sections 7 and 8 as they stand (no change)</li> </ul>
Jim Cairns	Public	A form of reuse of used containers definitely to be encouraged when sustainable conservation is the goal.
Juice Council of British Columbia Dan Wong & Rob Fletcher	Beverage Association	<ul> <li>Existing provisions prohibiting waste to energy are too restrictive. Understand the paradox – some forms of packaging are engineered to optimize product safety/quality and minimize material usage (i.e., source reduction). However, this prevents the economies of scale needed to achieve viable recycling markets.</li> <li>The current provision therefore can lead to unintended consequences such as landfilling of small quantities of material because accessible markets are impractical or simply do not exist.</li> <li>Loosen the language of the regulation to include EFW as a disposal option. This should not be construed as a preferred option but rather as a legitimate contingency in the event higher-level options do not exist.</li> </ul>
Metro Vancouver, Andrew Doi	Regional District /Municipality	<ul> <li>The provision provides peace of mind that the container is actually getting recycled.</li> </ul>
Naniamo Bottle Depot, Paul Shorting	Depot	<ul> <li>If we continue to allow manufacturers to generate products that are unable to be recycled under the stewardship plan then a message is being sent to all other producers that the concept of recycling in British Columbia is flawed.</li> <li>If products are produced and the end goal is for them to be incinerated, then these products should never hit the shelf for consumption.</li> </ul>
Nestle Waters, John Challinor & John Zupo	Beverage Industry	Nestle Wasters has no objection to their empty beverage containers used as a fuel in an energy-from-waste application.
Pepsi Cola, Neil Antymis	Beverage Company	<ul> <li>Pepsi Cola supports energy from waste in very limited circumstances and only if recycling is not possible, where no current market exists, or where the cost of materials management is significantly higher compared to mainstream materials.</li> </ul>



Port Coquitiam, Andrew Wood	Regional District /Municipality	<ul> <li>The container design and management requirements should continue to require that the beverage container be refillable and/or recyclable</li> </ul>
Regional District of Bulkley-Nechako, Janine Dougall Regional Recycling Rod Lotzkar	Regional District/ Municipality Depot	<ul> <li>New technologies may make sense (i.e. EFW). Consider removing provision in schedule 1 and defer to pollution prevention hierarchy that exists in the regulation. Stewardship plans require public review and approval from MOE anyway.</li> <li>Do not support changing the requirement which does not allow products collected under this regulation to be burned for fuel, especially those which are made from non-renewable resources.</li> <li>Need to create an environment where there is an incentive to design products that are reuseable, recyclable and eco friendly.</li> </ul>
Sierra Club, George Heyman	Not-for-Profit	We are strongly in favour of keeping an absolute prohibition against incinerating and landfilling containers.
Squamish Lilooeet Regional District, Brooke Carrere	Regional District /Municipality	Supports recyclability provision to encourage better design.
Sue Maxwell	Public	<ul> <li>Maintain the ban on landfill and incineration for all beverage containers.</li> <li>There is no need to have any waste from this product category. If a product seems better suited for incineration as one stakeholder seems to suggest, it only serves to underline that those products should be designed out of the system and the system should be designed to limit long-distance shipments of what is essentially water.</li> </ul>
The Bottle Depot, Darcy Hipwell	Depot	<ul> <li>The reuse or recyclability provision should remain.</li> <li>Containers that are non-refillable and not recycled should be penalized or banned from sale.</li> </ul>
United We Can, Ken Lyotier	Social Organization	<ul> <li>Keep recyclability provision. Elimination would create an un- level playing field, and give the advantage to producers who are permitted to use EFW.</li> </ul>



## TABLE 4: Stakeholder Comments: Container Design and End-of-Life Management Requirements Refilling (Reuse)

Name / Organization	Stakeholder	Summary of Comments
Ann Johnston	Public	<ul> <li>The domestic beer industry has had the highest return rates at the least ecological cost since the beginning of the last century.</li> <li>Any containers that cannot be refilled or recycled should be turned back at the border.</li> </ul>
Canada's National Brewers & Brewers Distributors Ltd. Brian Zeiler-Kligman & Bryan Cox	Beverage Association	<ul> <li>Refillable containers should remain a business decision, and not mandated by the province.</li> </ul>
Carton Council of Canada, Elizabeth Comere	Packaging Association	<ul> <li>We very much support the position that many brand owners and retailers have expressed in the past, the use of refillable containers is and should remain a commercial decision and government should maintain its neutral stance on this issue.</li> </ul>
City of Vancouver, Monica Kosmak	Regional District /Municipality	<ul> <li>Encourage the province to consider setting specific targets for reusable/refillable containers, gradually phasing in higher targets for refillable containers compared to recycling over time.</li> </ul>
Columbia Bottle Depot, Clare Cassan	Depot	<ul> <li>Refillable container creates the best incentive for producers to reuse. Obviously, they have a vested interest in getting their containers back.</li> </ul>
Jim Cairns	Public	Review credible Life Cycle Analysis on refilling vs. recycling containers.
Juice Council of British Columbia, Dan Wong & Rob Fletcher	Beverage Association	<ul> <li>The use of refillable containers should be entirely at the discretion of the brand owner. The practicality of using refillables is debatable because of the complex economics of dedicated reverse distribution systems, food safety and product integrity considerations depending upon the type of beverage in question, and the environmental cost/benefit equation across the life cycle of the product (i.e., do increased transportation, energy and manufacturing effects justify re-using containers? Depends on the product).</li> </ul>



Metro Vancouver, Andrew Doi	Regional District/Municipality	<ul> <li>Local government supports the shift from using recyclable containers to reusable/refillable containers</li> </ul>
Nanaimo Bottle Depot, Paul Shorting	Depot	<ul> <li>It would be good to see more refillable bottles — people ask about the refillable bottles versus recyclable. People support refillable bottles.</li> </ul>
Sue Maxwell	Public	<ul> <li>Distinguish between refillable and merely recyclable in the deposit rates (and ideally the CRFs). There should be significantly higher fees for non-refillables to provide a market advantage for more sustainable material use as well as to encourage local bottling and a decrease in transport of water based liquids from far away. There should also be higher deposits for harder to recycle materials like Tetra paks, polycoat cartons and drink pouches to encourage the use of more sustainable packaging types.</li> </ul>
The Bottle Depot, Darcy Hipwell	Depot	<ul> <li>The greatest benefit would be to have refillable containers, as re-use is higher in the environmental hierarchy than recycling.</li> <li>Containers that are refillable should be encouraged and promoted with whatever incentive or penalties are required.</li> </ul>



## Other comments not directly related to provisions under review

This review process was limited in its scope to the three prescriptive provisions in Schedule 1, which include deposit levels, return to retail and container design and management.

In the course of this project, several other issues were raised by stakeholders and are therefore included in this summary report. They are:

- Schedule 1 should be updated to remove the reference to LDB (now outdated) and update the classifications of container types.
- Municipalities, environmental groups, some members of the public and depots have expressed support for including milk containers in the current deposit-refund program.
- Beer container discounting is a problem because consumers feel like they are being ripped-off, and discounting also drives the street community to redeem containers in Government Liquor Store (GLS), which has created difficulties in some stores.



## TABLE 5: Other comments not directly related to provisions under review

Name / Organization	Stakeholder	Summary of Comments
Ann Johnston	Public	<ul> <li>Add milk containers to the deposit refund system</li> <li>Container Recycling Fee (CRF) looks like a tax and should be added into the product price, not added onto the price on the receipt.</li> </ul>
British Columbia Bottle Depot Association, Corinne Atwood	Depot Association	Milk should be in the program.
Canada's National Brewers & Brewers Distributors Ltd., Brian Zeiler- Kligman & Bryan Cox	Beverage Association	<ul> <li>As recovery (i.e. collection) and recycling are two different processes, to ensure that recycling is taking place and to determine the level of the pollution prevention hierarchy that is being achieved, the Ministry of Environment should require that product stewards, in their annual stewardship reports, provide details and performance metrics regarding how their products were recycled.</li> <li>Given the effectiveness of BDL's current beer container recovery system, any amendments to Schedule 1 put forward by the Ministry that will necessitate a change to that system must be accompanied by proof that such changes will achieve either: a) increased performance at a reasonable cost or b) the same level of performance, but at less cost to consumers.</li> <li>Schedule 1 should be amended to introduce measures that incent beverage producers to be proactive in reducing system costs through continuous improvement and system redesign. The effect will be to reduce costs to consumers while ensuring the long-term viability of deposit-refund as a cornerstone of EPR in British Columbia.</li> <li>On beer discounting issue: the amount of money being discounted on beer is less than the CRF which is paid by most consumers (CRF on glass bottles is 10-cents and discounting is from 2 to 5-cents; aluminium can CRF is about 2-cents). Therefore the exiting BDL system is still cheaper for consumers.</li> </ul>
Capital Regional District (CRD), Wendy Dunn	Regional District/Municipality	<ul> <li>The container recycling Fee (CRF) should not be shown separate, rather incorporated into the prince. A separate listing can result in public perception that it is a government tax.</li> <li>CRD Board had advocated for milk containers to be subject to the same requirements as all other beverage containers in the Recycling Regulation. While these containers are included in PPP regulation, this will only address collection from the</li> </ul>



		residential sector and a deposit refund system is the optimum approach to achieve the highest diversion and recovery rates. This October, the board confirmed its position and directed staff to continue lobbying for its inclusion in the deposit return system.
City of Vancouver, Monica Kosmak	Regional District/Municipality	<ul> <li>Enforcing the targets for all beverage container sub-categories: Currently the Recycling Regulation requires that the 75% recovery target be applied to each sub-category of beverage containers listed in Schedule 1. This should be enforced.</li> <li>Given that voluntary increases beyond the 75% target have been slow (about 1% per year), we recommend that a mandatory recovery schedule be included in the regulation to require rates to increase to 80%, 85%, 90% and 95% over time.</li> <li>We strongly recommend that the regulation be amended to include a schedule to phase in increased targets over time. Based on the Brewers' performance, a realistic timeline would be:         <ul> <li>80% within 5 years of achieving 75%</li> <li>85% within 10 years of achieving 75%</li> <li>90% within 15 years of achieving 75%</li> <li>95% within 20 years of achieving 75%</li> </ul> </li> <li>This would significantly strengthen BC's results-based approach.</li> <li>Furthermore, these recovery targets should be applied to discreet beverage container subcategories to boost overall performance and level the playing field.</li> <li>These actions would complement increased deposits, as well as zero waste goals adopted by local governments.</li> <li>Full redemption of deposits. We encourage the province to consider amending the Regulation to require all deposits to be redeemed in full. Discounting of deposits should be prevented in order to reduce consumer confusion, ensure public trust, and maintain the full effect of the deposit as an economic incentive.</li> <li>If collection costs must be subsidized, they should be included in a separate (invisible) recycling fee. These fees should be reported on in annual reports. This would maintain transparency and accountability with consumers.</li> <li>Regarding invisible container recycling fees, we encourage the province to amend the Regulation to require container recycling fees to be inclu</li></ul>



		<ul> <li>Milk containers. The City has long advocated for milk and milk substitute containers to be included in the deposit-refund system. Excluding milk and milk substitutes creates an unlevel playing field for all other beverage containers. In addition, Schedule 5 only covers packaging generated by residents and people in public spaces, and disregards milk and milk substitute containers generated by the ICI sector such as restaurants, coffee shops, hospitals, schools, and other premises.</li> <li>We respectfully request that the Ministry include the subject of milk and milk substitute containers in the intentions paper and seek input on whether they should be transferred from Schedule 5 to Schedule 1.</li> <li>Single use cups. We encourage the Ministry to consider requiring deposits on all single use cups for coffee, pop, etc. Single serve cups are a major source of litter, and have an even shorter life span than bottles, cans and other beverage containers. They also take up nearly half the volume of street litter bins, which the City manages at a considerable cost. Many of them are also disposed on commercial premises, which could be immediately addressed through a deposit-refund system.</li> </ul>
Columbia Bottle Depot, Clare Cassan	Depot	<ul> <li>Milk containers should be in the deposit system. The industry's reported diversion rate of 72% is wrong and the actual rate is about 47% diversion, which is not acceptable.</li> <li>The Alberta experience illustrates the huge jump in diversion rates with no ill effects to sales after milk was added to the program.</li> <li>Consider a stakeholder management board like BCMB in Alberta.</li> <li>Maybe depots should be classified as a utility (as they are in Alberta).</li> </ul>
Cowichan Valley Bottle Depot, Vince Spronken	Depot	<ul> <li>The CRF is a visible cost to consumers who look at it and get frustrated that they are taxed and then pay to the government an environment levy on top of that tax. I have to explain it to customers time and time again of how it works, that the fee is not going to the government, it is there to help fund the returnit program.</li> <li>The CRF should be included in the price and not seen as a tax.</li> <li>Furthermore some retailers have the recycling fee written out on their receipt as a separate deposit, which adds even more confusion to the situation.</li> <li>The CRF must be placed in the sale price and hidden in the cost.</li> </ul>



Denman Island Waste Company, Robert French	Depot	<ul> <li>In favour of including milk containers in deposit return program.</li> </ul>
Encorp Pacific, Neil Hastie & Bill Chan	Industry Stewardship Organization	<ul> <li>Discounting: Irrespective of the available convenience of BDL return locations, consumers want to make one-stop, which are only depots, in spite of the discounting practice. Estimates about 250M-300M units discounted in the last year.</li> <li>Definitions (Section 4). Delete all sub categories or, at a minimum, specify 5 groupings; namely – aluminium, plastic, glass, polycoat, and other. This can provide efficiencies in terms of less sorts at depots. This can also be made consistent with reporting.</li> <li>Add clarity on accepted containers (Section 6, subsection c &amp; d and delete "cash" in cash refunds. With technology, security and risk mitigation, high volume transactions can be done through electronic funds transfer (EFT) directly to the customer account.</li> <li>Relating to the comments from the City of Vancouver about setting targets based on the existing performance of beer containers (see directly above, earlier comment), Encorp is also the steward for non-refillable beer and cider bottles as well as wine and spirit bottles that are sold in the province of BC. Encorp's recovery rate for its alcohol containers for 2011 and 2010 is 94.9% and 94.5% respectively. These recovery rates are equal to or greater than those achieved by the Brewer's which was 94.0% in 2010.</li> <li>The success in reaching high recovery rates is attributable to that fact that the consumption of alcohol (inc. beer) is largely limited to a controlled environment (i.e. cannot be consumed in a public space). Our overall recovery rate of 80% takes into account a wide range of non-alcohol containers where away from home consumption is common. Therefore comparisons between the two (2) programs should be based on similar types of beverages.</li> </ul>
Galiano Island Recycling Resources (GIRR), Nadia Krebs	Not-for-Profit	<ul> <li>Deposit system must be expanded to include milk and milk substitutes. These containers are currently, for the most part, being land filled. This is unacceptable.</li> </ul>
Langley Bottle Depot, Hanif Devji	Depot	<ul> <li>There should be fairness in issuing beer license and that handling fees should be paid equally throughout the bottle depots in B.C.</li> </ul>



Marie Roulleau	Public	<ul> <li>Place a deposit on milk containers.</li> <li>Eliminate visible CRF on beverage containers.</li> </ul>
Naniamo & Area Land Trust, Gail Adrienne		<ul> <li>Support expanding deposit return program for containers like coffee cups.</li> </ul>
Nestle Waters, John Challinor	Beverage Company	<ul> <li>Need new ways of collecting containers to surpass 85% ceiling.</li> <li>Public space, IC&amp;I, on-the-go and multi-residential must all be part of the program.</li> <li>No need to increase the regulated target of 75%.</li> <li>Our industry should invest in public space (like Richmond pilot) as a compliment to the existing system.</li> </ul>
Port Coquitlam, Andrew Wood	Regional District/Municipality	<ul> <li>The province wide recycling program review and address Tetra Pak containers that are used for soup, broth, and other non- beverage products</li> </ul>
Recycling Council of British Columbia, Brock MacDonald	Not-for-Profit	Milk should be included in the deposit system.
Regional Recycling, Rod Lotzgar	Depot	<ul> <li>On discounting: Originally, most depots not contracted through BDL were refunding full deposits just to improve volume and customers.</li> <li>Most depots now discount. (Encorp survey shows 111 depots discount; 59 do not; 2 n/a).</li> </ul>
Richmond Bottle Depot, Anil Kotadia	Depot	<ul> <li>Add milk containers to the deposit system.</li> <li>There should be fairness in issuing beer license and that handling fees should be paid equally throughout the bottle depots in B.C.</li> </ul>
Rick Weik	Recycler/hauler	<ul> <li>Add milk containers to the deposit refund system</li> <li>Retailers should be forced to include CRF in the price of products and not keep it separate.</li> </ul>
Sierra Club, George Heyman	Not-for-Profit	<ul> <li>Welcome a discussion about deposits on other categories of packaged goods</li> </ul>
Sonny	Public	<ul> <li>Add milk containers to the deposit return program</li> </ul>
Sue Maxwell	Public	<ul> <li>Add milk containers to the deposit refund system</li> </ul>
The Bottle Depot, Darcy Hipwell	Depots	<ul> <li>Add milk containers to the deposit system.</li> <li>Alberta has more container types (milk and milk substitutes) and we believe the addition of these containers promotes and produces higher recovery rates on all beverage containers.</li> <li>As illustrated by Alberta, the deposit put on milk containers has not had a negative impact on sales.</li> </ul>



Reference: 0000000

August 28, 2012

Moonrakers Cold Beer & Wine 517 7th St. New Westminster B.C. V3M 3L6

To whom it may concern:

Ensuring compliance with provincial regulatory requirements is one of the Ministry of Environment's principal objectives. The purpose of my letter is to inform you, if you are not already aware, of retailers' regulatory requirements stated in the Province of British Columbia's Recycling Regulation (B.C. Reg. 449/2004). This regulation was enacted in October 2004 under authority of the Environmental Management Act and is the current legal basis for the province's beverage container deposit-refund system which has been in operation since the early 1970s.

The Recycling Regulation prescribes deposit-refund requirements for sellers of containers of all ready to serve drinks except milk, milk substitutes and liquid meal replacements. Specific requirements for all retailers selling beverage containers are to collect beverage container deposits at the point of sale and pay refunds for redeemed containers of the same type and brand that the retailer sells in an amount equal to the deposit collected. Retailers are entitled under the regulation to limit the total number of returns to 24 containers per person per day. Further, retailers are not required to accept any container that is contaminated, rusty, dirty, was purchased outside of the province or cannot be reasonably identified as a deposit bearing beverage container.

The Ministry of Environment has received a complaint regarding container redemption polices at your location that are not consistent with the requirements of the Recycling Regulation. Without prejudice, you are advised that persons contravening the Regulation commit an offence and are liable for enforcement action which can include tickets of \$115 per offence or fines of up to \$200,000 upon conviction.

If you have any questions, please contact me by phone at (250) 387-9774 or by email at: Greg. Tyson@gov.bc.ca.

Sincerely,

Greg Tyson Community Waste Reduction Section

Enclosure - Summary of obligations of sellers of ready to serve beverages in British Columbia

File: 280-30

ORCS: 50400-20/BEV GEN

## [2012-09-07] bev review web text



From: Tyson, Greg ENV:EX

Sent: Friday, September 7, 2012 9:07 AM

To: Lawes, David ENV:EX
Cc: Armstrong, Meegan ENV:EX
Subject: RE: bev review web text

Follow Up Flag: Follow up

Due By: Friday, September 14, 2012 2:30 PM

Flag Status: Flagged

Hey David

Below is text announcing the outcome of the 2011/12 beverage schedule review and releasing the consultation reports/submissions. Meegan has approved the text. Your approval is now required for the update to the website.

If you are good with this going online Meegan asked that you send it directly on to Chelsea Lee indicating your approval. <a href="mailto:Chelsea.Lee@gov.bc.ca">Chelsea.Lee@gov.bc.ca</a>

Thanks

Greg

## http://www.env.gov.bc.ca/epd/recycling/resources/reports/rcb c.htm

## Update: Consultation on the Beverage Container Product Category in the Recycling Regulation

Between October, 2011, and February, 2012, the Ministry of Environment consulted with stakeholders and the public on key aspects of the beverage container product category of the Recycling Regulation. The objective of the consultation process was to identify options to increase the recovery rate for beverage containers in all regions of the province and improve environmental management of collected containers with the least incremental financial impact to consumers and producers. The Ministry of Environment engaged CM Consulting of Ontario to provide support during the consultation process.

Downloads:

Multi-Stakeholder Review of Prescriptive Measures in the Beverage Container Regulation: Final Report, March 2012 (PDF/ KB)



MultiStakeholder Beverage Cons...

Report appendices (PDF/ MB)



Appendices\_Multi Stakeholder Be...

### Status of the consultation process

Consultation input was gathered through targeted telephone interviews with directly affected stakeholders, in writing from any interested party, and during a public consultation workshop in Vancouver on November 23, 2011. The consultation is now complete.

## **Next Steps**

Based on the findings of the summary report, the Ministry of Environment concludes that there is insufficient justification to further investigate changing the province's beverage container retail return, refill/recycling or deposit-refund requirements at this time.

**Greg Tyson** 

BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

Join our Extended Producer Responsibility e-link mailing list www.env.gov.bc.ca/epd/recycling/epr/index.htm

From: Armstrong, Meegan ENV:EX

Sent: Friday, September 7, 2012 8:33 AM

To: Tyson, Greg ENV:EX

Subject: FW: bev review web text

### Greg

Approved. But could you take <u>just</u> the web text page text (as written in the document below) and put in the body of an e-mail and attach BOTH the final report and the stakeholder submission documents to make it easy for the web approver to have all the documents.

<< File: bev review web text draft FINAL (3).docx >> << File: MultiStakeholder Beverage Consultation Report Final Draft 2012.pdf >>

Once you've done that could send directly on to David Lawes for approval, indicating I have approved, and provide instructions for him to send it on to the web person.

As for the e-link message, consider it approved and send out the message once the report is up on the web. No need to seek DL's approval on that.

----Original Message----From: Tyson, Greg ENV:EX

Sent: Thursday, August 30, 2012 3:24 PM

To: Armstrong, Meegan ENV:EX Subject: FW: bev review web text

Hi Meegan

Attached is a revised text to announce the results of the beverage review.

Can you take a look and let me know if this is good to go online? The text was developed/modified jointly by Lyn, Christine and myself.

There are three pieces:

- 1. text for an epr elink message
- text for the "whats new" section of the EPR site. This same text will also be posted on the "reports" section of the EPR site.
- 3. updated text for a dedicated page for the review

Thanks

### Greg

------

Greg Tyson BC Ministry of Environment PO Box 9341 Stn Prov Govt Victoria, BC V8W 9M1 250 387 9774 Greg.Tyson@gov.bc.ca www.recycling.gov.bc.ca

Join our Extended Producer Responsibility e-link mailing list www.env.gov.bc.ca/epd/recycling/epr/index.htm

----Original Message----

From: Woodhouse, Christine A ENV:EX Sent: Thursday, August 30, 2012 3:04 PM

To: Tyson, Greg ENV:EX

Subject: RE: bev review web text draft

A few suggested edits.

CW

----Original Message----From: Tyson, Greg ENV:EX

Sent: Thursday, August 30, 2012 2:40 PM To: Woodhouse, Christine A ENV:EX Subject: FW: bev review web text draft

Input on the attached text would be appreciated. Thanks!

## [2012-09-10] 172764 RE: Non-compliance with B.C. Recycling Legislation



Hello s.22

My apologies for the delay in responding to your e-mail. I, too, am disappointed that there has not been any response from some of those you have included in the "To:" list. The program for beer containers, operated by BDL, seeks to be an environmentally-effective and cost-efficient system that provides a high level of customer convenience and satisfaction.

The retailer you reference is, I believe, a private retail operation. As a result, that store is not under the jurisdiction of the BCLDB. However, it may be a member of the Alliance of Beverage Licensees (ABLE BC). If you could let me know the name and location of the store in question, I'd be happy to follow up with ABLE BC about this.

That being said, other than persuasion, neither BDL nor ABLE BC have power to "force" this retailer to comply. The regulation itself is a piece of provincial legislation, meaning that it is the provincial government that has enforcement powers.

I hope this clarifies some matters and hope that we can rectify this situation.

Kind regards, Brian

Brian Zeiler-Kligman, M.A., LL.B.

905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

From: s.22

Sent: July 27, 2012 12:23 PM

To: info@beerbottlerefund.com; env.minister@gov.bc.ca; communications@bcliquorstores.com

Cc: Postmaster@newwestcity.ca

Subject: Non-compliance with B.C. Recycling Legislation

To those responsible for upholding the B.C. Recycling Legislation,

There is a cold beer and wine retailer in my neighbourhood that refuses to comply with the rulles and regulations regarding the B.C. Recycling Legislation (2004). The owner of this store has instituted an illegal policy that instructs his staff to not accept returns for 2 hours after opening and for 4 hours before closing.

This means that for 6 hours every day (more than 40% of business hours) they sell their products that will inevitably become recyclable returns, but they refuse to accept any returns, just because of the time of day.

Below are the valid reasons for refusing recyclable containers (from the Environmental Management Act, Recycling Regulation:

- (5) A container redemption facility or retailer is not required to accept a container, or pay a cash refund for a container, if the container
- (a) is contaminated, rusty or dirty,
- (b) can be reasonably identified as a container that was purchased outside of British Columbia, or
- (c) cannot be reasonably identified as a container to which this Schedule applies.

This unlawful policy contravenes the B.C. Recycling Legislation and discourages the recycling of beer and wine containers (so me customers may just throw the recyclable containers away). This is an example of bad stewardship by a retailer that negatively affects the community as well as the en vironment.

Although I sent an email to New Wesminter city hall (CC: entry) to ask for answers regarding this retailers' policy several weeks ago, I have not had any response other than an acknowledgement of receipt of the email.

I am hoping someone in the "To:" list that cares about the environment and the duties of recyclables will take it upon themselves to give me the information of how to proceed to correct the retailers anti-green and illegal policy, hopefully in a timely manner.

Best regards,

s.22 New Westminster, B.C. (July 27, 2012)

## 2012-09-28 BDL's Pre-Audit Plan Letter

Subject	BDL's Pre-Audit Plan Letter
From	Merchart Zeeshie.
То	Ranson, David ENV:EX; Lawes, David ENV:EX; Woodhouse, Christine A ENV:EX; Tyson, Greg ENV:EX
Cc	Zeiler-Kligman, Brian; Lee, Sung; 'Sage, Jeremy J'
Sent	Friday, September 28, 2012 11:12 AM
Attachments	BDL Pre-Audit

## Hello All

Please find attached BDL's Pre-Audit Plan Letter.

### Thanks

Zeeshan Merchant Pricing Analyst The Beer Store and Brewers Distributor Limited (905) 212-2795





#### Prepared by:

Brewers Distributors Ltd 5900 Explorer Drive Mississauga, ON L4W SL2

#### Submitted to:

Director of Waste Management Environmental Quality Branch Ministry of the Environment P.O. Box 9341, STN PROV GOVT Victoria, B.C. V8W 9M1

#### To the Director:

We are submitting this letter to express our intention to perform a pre-audit of our management of recovered product in accordance with the pollution prevention hierarchy under Section 8(2)(d) of the Recycling Regulation. Brewers Distributors Ltd. (BDL) has engaged KPMG LLP to perform the pre-audit and assist us in preparing the program for a successful audit of product management end-fate data in 2014.

#### The pre-audit will include the following:

- Fall 2012: Review of the BDL Approved Product Stewardship Plan for 2009-2014 and identification of targets related to management of recovered product to be reported against.
- September October 2012: Walkthroughs of 8DL's life cycles for each product, identification
  of existing controls, identification of documentation available and identification of
  associated risks throughout each process.
- November December 2012: Development of appropriate assurance criteria based on walkthroughs for product management end fate data.
- November 30, 2012: Submit Pre-Audit Progress Report to the Director of Waste Managemet
- November December 2012; Assessment of BDL's ability to meet agreed upon criteria and identification of any gaps based on understanding of existing controls and documentation.
- December 2012 January 2013: Development of an action plan and timeline to address any gaps in BDL's processes, controls, and documentation in order to meet agreed upon audit criteria.
- January 31, 2013: Submit Pre-Audit Report to the Director of Waste Management

We look forward to providing our Pre-Audit Progress Report on November 30, 2012.

Yours truly,

Sung Lee, Director of Finance



Reference: 181023

November 7, 2012

Central Park Liquor Town Suite 300-1500 Banks Rd Kelowna, BC V1X 7Y1

## To Management:

Ensuring compliance with provincial regulatory requirements is one of the Ministry of Environment's principal objectives. The purpose of this letter is to provide information on regulatory requirements for retailers under the BC Recycling Regulation (B.C. Reg. 449 2004). This regulation was enacted in October 2004 under authority of the Environmental Management Act and is the current legal basis for the province's beverage container deposit-refund system, which has been in operation since the early 1970s.

The Recycling Regulation prescribes deposit-refund requirements for sellers of all ready-to-serve beverages sold in scaled containers except milk, milk substitutes and liquid meal replacements. Specific requirements for all retailers selling beverage containers are to collect beverage container deposits at the point of sale and to pay refunds for redeemed containers of the same type and brand that the retailer sells, in an amount equal to the deposit collected, at all times when the retailer is open for business. Retailers are entitled under the regulation to limit the total number of returns to 24 containers per person per day. Further, retailers are not required to accept any container that is contaminated, rusty, dirty, was purchased outside of the province, or cannot be reasonably identified as a deposit-bearing beverage container.

The Ministry of Environment has received a complaint regarding container redemption polices at your location that are not consistent with the requirements of the Recycling Regulation. Without prejudice, you are advised that persons contravening the Regulation commit an offence and are liable for enforcement action which can include tickets of \$115 per offence or fines of up to \$200,000 upon conviction.

Waste Prevention Section

Enclosure: Summary of obligations of sellers of ready-to-serve beverages in British Columbia

## 2012-11-19 BDL - final Schedule 5 stewardship plan

Subject	FW: BDL - final Schedule 5 stewardship plan
From	Lawes, David ENV:EX
То	Bates, Julia ENV:EX
Cc	Armstrong, Meegan ENV:EX
Sent	Monday, November 19, 2012 2:04 PM
Attachments:	BC - Schedule 5 - product stewardship plan - FINAL - Nov 12.pdf
Importance:	High

## JB-Here's another one for you

Subject	BDL - final Schedule 5 stewardship plan
From	Brian Zeiler-Kligman
To	Ranson, David ENV:EX; Lawes, David ENV:EX; angle.malhi@gov.bc.ca
Cc	XT:Newton, Jeff LCLB:IN; bcox@nationalbrewers.ca; valiante@corporatepolicygroup.com
Sent	Monday, November 19, 2012 2:02 PM
Attachments	BC - Schedule

#### Good afternoon:

Please find attached BDL's 2014-2018 Schedule 5 Stewardship Plan. We look forward to receiving confirmation of its approval in due course. Please do not hesitate to contact me about any aspect of this plan should there be any questions or other issues.

I apologize that I am sending this plan from my personal e-mail address. We have experienced some serious technical issues today that prevent me from sending this e-mail from my work account. As a result, I would ask that you please confirm receipt of this e-mail.

Kind regards, Brian





## Brewers Distributor Limited Schedule 5 Stewardship Plan 2014 - 2018



Submitted to:	Director of Waste Management Environmental Quality Branch Ministry of the Environment P.O. Box 9341, STN PROV GOVT Victoria, B.C. V8W 9M1
Prepared by:	Canada's National Brewers # 1106-750 West Pender Stree Vancouver, British Columbia V6C 2T8
Date:	November 19, 2012

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#### I. INTRODUCTION

Brewers Distributor Limited (BDL) is a privately-owned distribution and logistics company, operating in the western Canadian provinces of British Columbia, Alberta, Saskatchewan and Manitoba. BDL's operations in BC comprise two primary elements: the warehousing and distribution of beer, cider and coolers for a number of breweries and liquor suppliers to retail locations and licensed establishments throughout BC; for sale to the public ("full goods"); and the collection of certain beer and cider containers (i.e. refillable bottles and cans) and related packaging as the product steward acting on behalf of the majority of brewers and cider manufacturers ("product stewardship").

In its product stewardship activities, under Schedule 1 of the Recycling Regulation, BDL is the steward for all refillable glass beer and cider bottles, as well as all metal beer cans. Along with its stewardship duties under Schedule 1, BDL also collects the secondary packaging (i.e. cartons, caps and plastic can rings) associated with beer and cider containers through a variety of collection channels, keeping this secondary packaging out of the municipal curbside recycling stream and out of BC landfills. This product stewardship plan covers BDL's collection of beer and cider secondary packaging (hereafter collectively referred to as "beer secondary packaging") under Schedule 5 of the Recycling Regulation. Notably, BDL's stewardship plan goes beyond the regulatory requirements, as it will collect beer secondary packaging from both the residential and the industrial, commercial and institutional (IC&I) streams.

BDL's mission is to provide quality, cost-effective distribution, as well as container return and secondary packaging collection service, for its customers and the public.

BDL has a long history of strong environmental performance, consistently achieving the highest recovery rate amongst all product stewards operating in the province of British Columbia. BDL and its predecessors have been managing beer containers in BC<sup>2</sup> in an environmentally responsible manner for approximately 80 years. BDL's product stewardship duties are part of a national commitment to collect all beer packaging for recycling or reuse that has been undertaken by Canada's brewing industry in each respective province since the end of Prohibition.

Over the past four years, **BDL collected an average of 93% of the beer and cider containers** sold under its Schedule 1 program. This recovery rate **exceeds BDL's product stewardship plan target of 85%** and the provincially legislated minimum recovery rate of 75%.

In addition to the strong recovery rate, BDL producers place a major emphasis on the use of refillable containers. With 100% of their recovered containers either re-used or recycled, BDL's system supports the pollution prevention hierarchy with significant energy and pollution reduction

<sup>&</sup>lt;sup>1</sup> BDL's customers include pubs, hotels, restaurants, clubs, cabarets, government liquor stores, agency stores (rural agency stores are small general stores in rural areas authorized by the BC Liquor Distribution Branch to sell beer, cider, coolers, wine and spirits with other goods) and licensee retail stores.

<sup>&</sup>lt;sup>2</sup> In line with its full goods activities in BC, Alberta, Saskatchewan and Manitoba, BDL and its predecessors have also undertaken product stewardship with respect to beer containers and beer secondary packaging throughout the western Canadian provinces, not just in BC.

benefits. BDL's closed-loop container recovery system also provides manufacturers and retailers with a cost-efficient system for the return and recycling of their containers.

Beer secondary packaging consists primarily of paper<sup>3</sup>, metal<sup>3</sup> and plastic<sup>3</sup>. As part of its regular product stewardship operations for beer and cider containers, BDL already collects this beer secondary packaging. BDL is submitting this product stewardship plan for Schedule 5 of the *Recycling Regulation*, which codifies BDL's existing stewardship activities with respect to secondary packaging.

While this product stewardship plan for beer-related printed paper and packaging will codify what the industry has already been doing for decades, BDL also looks to build on the strength of its environmentally-effective, consumer-friendly and low-cost container management system. BDL will implement new initiatives to improve customer awareness and enhance consumer convenience, while continuing to work with collection partners to maintain cost-effectiveness and system efficiencies with broad consumer access.

In short, **BDL will strive to meet targets in excess of the provincial standard** and endeavour to maintain its leadership with respect to product stewardship in British Columbia.

#### I. BDL PPP STEWARDSHIP PLAN HIGHLIGHTS: FISCAL 2014-2018

#### a. Brand Owners Represented

BDL is submitting this stewardship plan for the recovery of beer secondary packaging. All of the brewers for whom BDL acts as the product steward under Schedule 1 of the *Recycling Regulation* have been invited to sign a letter of intent to join BDL's program. The producers for whom BDL is the product steward under Schedule 5 will be updated as the plan is implemented. In any event, BDL will be acting as the product steward for the majority of beer secondary packaging generated in the BC marketplace. It should be noted that BDL will act as the product steward for beer secondary packaging for both the domestic and imported brands represented by each of these brewers, cider manufacturers and brewery agents. As a result, BDL product steward brand owners will account for the vast majority of the beer sold in BC.

#### b. Recovery Targets and Other Plan Highlights

 BDL will target a minimum 75% recovery rate for the secondary packaging under its program (aggregate basis), to be achieved within 3 years of the program coming into effect in May 2014. This recovery rate will go beyond the requirements of the Recycling Regulation, as BDL will collect beer secondary packaging associated

Specifically, old corrugated cardboard (OCC) and boxboard materials used as cases for the sale of multi-packs (i.e. 6-packs, 12-packs, 24-packs, etc.) of beer cans or bottles.

<sup>\*</sup> Specifically, metal crowns on beer bottles.

<sup>&</sup>lt;sup>1</sup> Specifically, cone rings used on smaller multi-packs of beer cans. It should be noted that BDL also uses plastic wrap on the delivery of its products. However, as this plastic wrap is removed by the vendor and thus not part of what is sold to the consumer, it will not be accounted for in the stewardship plan at this time. That being said, BDL frequently collects used plastic wrap when collecting empty containers from retail and commercial establishments.

with consumer sales (i.e. residential beer secondary packaging), as well as beer secondary packaging associated with licensee sales (i.e. industrial, commercial & industrial beer secondary packaging). BDL will annually report its recovery rate for beer secondary packaging (i.e. residential and IC&I streams combined). BDL is currently exploring whether it would be possible in future to report a recovery rate for each stream separately. BDL's environmentally-effective and cost-efficient closed loop system, whereby BDL collects empty beer containers and beer secondary packaging in the same trip, makes the collection of both residential and IC&I beer secondary packaging possible.

- BDL's Schedule 5 stewardship plan will continue to place a strong emphasis on re-use (similar to BDL's Schedule 1 stewardship for beverage containers). The concept of "Design for the Environment" (DfE) is evident in the secondary packaging produced by the brand owners represented by BDL. First, the companies represented by BDL utilize a limited number of types of secondary packaging, each of which is easily recyclable or re-usable. Beer cases sold as the packaging for bottles are designed from the start to serve multiple functions throughout their lifecycle. At present, the majority of consumers are re-using these cases when they return their empty beer bottles. Through BDL's consumer awareness campaign (more below), it is anticipated that more consumers will learn about this potential for re-use, raising the percentage of beer cases that are re-used by consumers. The majority (by weight) of secondary packaging collected by BDL will be these beer cases (also used to return refillable bottles to brewers for re-use).
- Another example of DfE in beer secondary packaging is the brewing industry's use of kegs in commercial sales. Kegs involve no packaging (other than the metal keg container, which is under deposit and maintains a recovery rate of close to 100%) and replace approximately 170 bottles (and 7 beer cases for 24-pack bottles) or over 160 cans (and approximately 7 beer cases for 24-pack cans), respectively. In calendar year 2011, for example, kegs replaced 5.1 million cases of beer, equivalent to diversion (for containers only) of approximately 900 tonnes of aluminum or 16,900 tonnes of glass. Kegs have very high return rates (over 99%) and are also designed so that they can be repaired over their lifetime and re-used over and over again for an average of 50 years.

A case of 12 beer.

A beer case sold as the secondary packaging for beer bottles may serve up to five functions before it is processed and recycled: 1) the receptacle in which the bottles are shipped to a retail location; 2) the receptacle in which the bottles are taken from the retail store to a private home; 3) the receptacle in which bottles are stored for return, once empty; 4) the receptacle in which the consumer transports the empty bottles to their return location; and 5) the receptacle in which the empty bottles are transported back to brewers for re-filling. It is necessary that bottles sent to brewers for refilling are transported in some kind of case to avoid the risk of breakage during transportation. These cases are generally cut off and processed on the bottling line, just before the bottles enter the washer.

Calculations are based on 58 litre kegs and beer bottles having an average volume of 341 mL and beer cans having an average volume of 355 mL. Please note that the actual volumes of bottles and/or cans of specific brands of beer may be lesser or greater than this average volume.

- To improve consumer awareness of the brewing industry's DfE in its secondary packaging and to increase the percentage of consumers that voluntarily return their beer secondary packaging, BDL will undertake a public awareness and education campaign over the period of this stewardship plan (2014-2018). The campaign will begin around May 2014, when BDL's program comes into full effect. The exact nature of the campaign will be shaped by consumer surveying that BDL will undertake in 2013, in order to make the awareness and education campaign as effective as possible. The campaign will include an expanded consumer-oriented website regarding the Canadian beer industry's sustainability efforts, with content specific to British Columbia. BDL will survey the public close to the end of the stewardship plan period to gauge the level of consumer awareness of its program and the success of its consumer education campaign.
- To the extent possible, BDL will expand its annual report to the Ministry of the Environment to include more information on consumer education strategies and program support for reduced environmental impacts and the pollution prevention hierarchy. BDL also intends to combine its annual reports under Schedules 1 and 5 of the Recycling Regulation in order to provide stakeholders with a more complete understanding of the BC beer industry's environmental performance.
- During this initial stage of BDL's Schedule 5 program for beer secondary packaging, BDL will conduct an annual consultation with BC local governments, to be arranged with either the Union of BC Municipalities (UBCM) or the BC Product Stewardship Council. This annual consultation will help to improve communications and relations with these key stakeholders, as well as provide BDL with an annual opportunity to learn how its program is operating in various parts of the province. It is also anticipated that, through this annual consultation, BDL will be able to effectively deal with any disputes that a local government may have with this plan.

### c. Stewardship Agency Contact and Address for Service

Brian Zeiler-Kligman c/o Brewers Distributor Limited 750 West Pender Street, Suite 1106 Vancouver, BC V6C 2T8

#### II. STAKEHOLDER CONSULTATION SUMMARY

Throughout 2012, BDL has been engaging with numerous stakeholders in order to educate these stakeholders about its current product stewardship system. As part of this outreach, BDL's existing stewardship activities with respect to PPP have also been discussed, with feedback sought on ways to improve BDL's existing system and/or to achieve greater environmental performance.

While this stewardship plan largely reflects a codification of existing BDL product stewardship practices, BDL has also been consulting with a variety of stakeholders throughout the process of designing this plan. BDL posted this stewardship plan on the Recycling Council of British Columbia (RCBC) website and on <a href="https://www.EnviroBeerBC.com">www.EnviroBeerBC.com</a> for public consultation as of October 23, 2012. In addition to posting the plan on these websites, the following additional public consultations were undertaken:

- · Stewardship plan directly e-mailed to over 30 stakeholders, including:
  - Union of British Columbia Municipalities (UBCM)
  - Members of the UBCM Schedule 5 Working Group
  - Members of the UBCM Environment Committee
  - Metro Vancouver
  - Members of the Metro Vancouver Regional Engineering Advisory Committee
  - RCBC
  - Alliance of Beverage Licensees (ABLE BC)
  - BC Bottle Depot Association
  - BC Recycling Centres Association
  - Coast Waste Management Association (CWMA)
  - Members of the BC Product Stewardship Council
  - Pembina Institute
  - David Suzuki Foundation
  - GLOBE Foundation
  - Friends of the Earth
- Member advisories to RCBC members about the posting of the stewardship plan and the public consultation and webcast on November 9
- Public consultation at the Coast Waste Management Association conference in Victoria on October 26
- Use of social media to promote the stewardship plan and the November 9 consultation to create additional awareness and solicit additional feedback
- Inclusion in a UBCM weekly newsletter to their members
- · Inclusion in a CWMA information update
- · Public meeting and webcast in Vancouver on November 9

These consultation activities generated a fair amount of interest in the BDL plan from stakeholders. However, BDL only received a minimal amount of feedback on the plan. Much of this feedback was very complimentary of BDL's stewardship activities and its proposed stewardship plan, praising it as being "highly effective" and suggesting that the program should be "commended for its exceptional recovery rate, and its emphasis on reusing/refilling beverage containers." As an example, feedback provided by UBCM thanked BDL "for integrating a number of [their] recommendations into [our] plan," while also providing other feedback on the plan.

In the table below, BDL has identified the main feedback received from stakeholders throughout the consultation process (with the general category of stakeholder providing this feedback identified) and how this feedback has been addressed in this final plan. A complete list of those providing

feedback (including those who participated in the November 9 consultation and webcast) is included in Appendix A.

Feedback	Provided By	How Addressed
Praise for BDL's ongoing stewardship performance with respect to beverage containers and secondary packaging	Local government, industry, NGO, general public	Thanked stakeholders for their feedback and support.
How will BDL's Schedule 5 plan address and/or compensate for leakage of beer secondary packaging into the MMBC program or the municipal waste stream?	Local government, industry, general public	Added a section under dispute resolution to address this issue.
Applaud BDL for going beyond the regulatory requirements and collecting secondary packaging from IC&I stream from the outset; suggestion this point be made even more clearly	Local government, NGO, general public	Inclusion of this fact in the introduction section and bold type regarding this fact in the plan highlights section earlier in document
Suggestion that BDL may need to go beyond consumer research to effectively create its consumer awareness campaign and that BDL work with certain stakeholders to advance its consumer awareness campaign more effectively	NGO	These suggestions are being taken into consideration as BDL plans both the research for and how to conduct its consumer awareness campaign
BDL should include the wood used in its pallets as part of the stewardship plan	NGO, industry	Pallets do not fit within the definition of printed paper or packaging and are therefore not covered under this schedule of the Recycling Regulation. Pallets are used for the transportation of full goods and empty containers (and sometimes used in the retailing of full goods). As such, wood pallets never become part of the packaging experienced either by consumers or licensees. That being said, BDL is investigating its internal tracking of pallets to determine if there are ways

		to accurately report on this material in future.
Will BDL break down recovery rates by sector (i.e. residential and IC&I)?	Local government	Current tracking mechanisms do not make this possible at present, as much of the secondary packaging is processed at breweries when beer bottles are being washed and refilled. The packaging received from both sectors is commingled in this process. BDL is investigating if it would be possible to track returns by sector to determine if it can potentially report on this in future.
Will BDL be reporting returns by regional district?	Local government	For a variety of reasons, it is not possible to report accurate returns for each regional district (as is the case in BDL's annual reporting of its beverage container collection). The annual report will provide an estimate for each regional district, based on population and total returns (as is the case in BDL's annual reporting of its beverage container collection).
BDL should include a dispute resolution mechanism for disputes with local governments	Local government	A dispute resolution mechanism for these disputes has been included. However, BDL hopes that the annual consultation with local governments included in this plan will eliminate the need for this dispute resolution mechanism.
Consumer awareness and education to those without e-mail or access to the internet	Local government	BDL will do its best to promote and educate the public about its stewardship plan.
Stronger wording regarding provision of collection services in rural and urban areas	Local government	BDL's program is focused on consumer convenience and offers consumers over 1250 locations to return their beer

		containers and secondary packaging. The 93% recovery rate currently being achieved by BDL for beverage containers demonstrates that there is adequate and acceptable accessibility to return locations. According to our research, we could not identify any communities in BC without at least one contracted BDL return location within 15 km. BDL agrees that provision of collection services is very important and believes that its coverage exceeds reasonable urban and rural service standards.
Collection system does not function as described by BDL in particular regional district	Local government	Ongoing direct follow-up with the regional district in question

#### III. COLLECTION SYSTEM AND CONSUMER ACCESS

The consumer is an integral part of any stewardship plan. Without the consumer's participation, it is impossible to collect the product or achieve any significant environmental performance. From its long history of product stewardship, BDL recognizes that consumer convenience is critical to consumer participation. For this reason, BDL's stewardship plan places its focus on making it easy, convenient and practical for the consumer to return beer secondary packaging.

As previously indicated, the collection system proposed in this stewardship plan largely reflects how BDL is currently collecting beer secondary packaging (as consumers are already returning a substantial percentage of beer secondary packaging through these return locations). Consumers have open and easy access to return beer secondary packaging at all of the locations where they can return their empty beer containers.

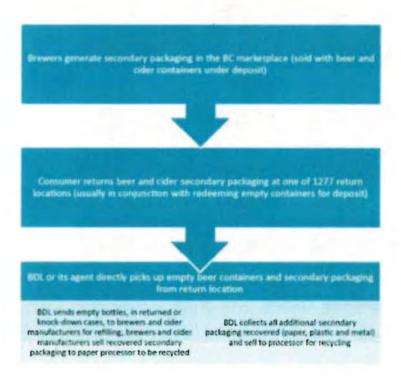
BDL has had the opportunity to confirm that consumers can return their beer secondary packaging at private retail liquor stores and at selected private bottle depots. BDL hopes to include government liquor stores as a return location for beer secondary packaging and is currently in discussions with the Liquor Distribution Branch to arrange this.

BDL continues to enhance its contracted container return network under Schedule 1 and will utilize this network for its stewardship obligations under Schedule 5 to the extent possible. Seventy-eight percent of BC residents are within 2 km of a contracted return location. With respect to smaller

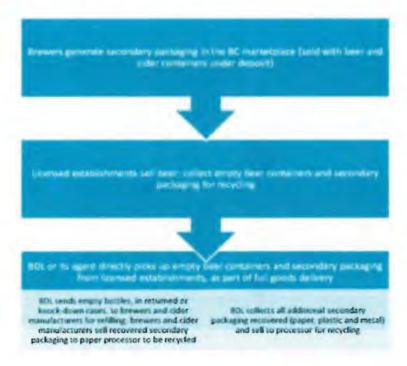
communities and rural areas, BDL could not identify any communities in British Columbia without at least one BDL contracted return location within 15 km.

On the next pages are graphic depictions of the current beer secondary packaging streams from both a consumer (residential sector) and a licensee (IC&I sector) perspective.

#### Beer Secondary Packaging Flow: Residential Stream



#### Beer Secondary Packaging Flow: 1C&I Stream



Through these many convenient consumer return options, BDL believes the consumer will continue to enthusiastically participate in this collection program and help to improve its already first-rate performance. Since this stewardship plan codifies existing practices, BDL's belief is based on historical experience of consumers' participation, even in the face of alternative recycling and disposal options available to them at residential and retail locations.

Through existing and renewed commercial agreements, BDL will work with its collection partners to ensure that beer secondary packaging that is collected is handled properly in accordance with the pollution prevention hierarchy. Through the new stewardship audit report to the Ministry of the Environment, BDL will confirm the proper handling and disposal of this beer secondary packaging.

#### IV. STEWARDSHIP PLAN OBJECTIVES

BDL's primary objective under this stewardship plan is to preserve and improve one of the most effective product stewardship systems in North America. Through consistently high container recovery rates, BDL will drive strong beer secondary packaging recovery as well, in a cost-efficient and environmentally-effective manner. Specific objectives are listed below:

#### a. Achieve Regulated Recovery Rates

For decades, BDL has been recovering beer secondary packaging as part of its beverage container product stewardship program. This recovery has been from the residential as well as the IC&I streams, with BDL reporting on a portion of this recovery in its past two Schedule 1 annual reports. Through this stewardship plan, BDL will undertake to document and calculate a recovery rate for all beer secondary packaging collection.

BDL has been able to achieve very high recovery rates on beverage containers through an efficient low-cost system of return-to-retail that is convenient and popular with consumers, supported by collection depots. This same successful system will be leveraged to achieve improved recovery rates for secondary beer packaging.

#### b. Excellent Customer Convenience

Under this stewardship plan and its stewardship plan for beverage containers, BDL will seek to maintain its extensive network of consumer return locations for beer containers and for beer secondary packaging. BDL will also implement new consumer awareness initiatives during the period covered by this stewardship plan, which will be shaped by consumer surveys to take place in 2013. These initiatives will seek to deliver information about the collection of beer secondary packaging and opportunities for consumers to engage in the re-use of beer secondary packaging as part of their return of empty beer containers by encouraging them to return beer cases when returning empty beer containers.

#### c. Maintain Coordination with the Delivery of Full Goods

The recovery of empty beer containers and beer secondary packaging is closely integrated with the delivery of full goods." Empty beer containers and beer secondary packaging are generally picked up when full goods are delivered. This practice makes sense from both a cost and an environmental perspective because the trucks are always full, cutting down on the number of trips that must be taken. Resources are not wasted driving around empty trucks or making multiple stops to the same return locations.

#### d. Cost-effective Beer Secondary Packaging Collection

BDL recognizes that it is the consumer who ultimately bears the cost of recovering beer secondary packaging (or any other product or packaging). Accordingly, BDL will continue to work with our product stewardship partners to maintain a cost-effective system that does not result in undue cost increases to the end consumer.

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<sup>&</sup>quot;Full goods" refer to full bottles, cans and kegs ready for sale to the public.

#### V. STEWARDSHIP PLAN DETAILS

#### a. Collection system and consumer access

As indicated above, BDL's intention is to ensure that the 1277 return locations available to consumers for empty beer and cider containers will also serve as return locations for beer secondary packaging. All beer secondary packaging will be accepted and collected from these locations, including:

- Cardboard/boxboard cases for bottles and cans
- · Can flats
- Metal crowns
- Plastic cone rings
- · Plastic shrink wrap

#### b. Beer Secondary Packaging Recovery Rate

The beer secondary packaging recovery rate will be calculated on the basis of beer secondary packaging generated divided by beer secondary packaging collected. The specific methodologies being employed to make this calculation are:

#### Beer Secondary Packaging Generation

The total weight of all beer secondary packaging generated by the brand owners (all import and domestic brands) is being calculated by multiplying the secondary packaging weight for each stock keeping unit (SKU)<sup>10</sup> sold in BC by the number of units of each SKU sold in BC in the calendar year.

For example (sample only - weights not necessarily accurate):

SKU: 12-pack bottles has secondary packaging weight of:

Cardboard (case): 200 grams

Metal (bottle caps): 36 grams [12 x 3 grams]

Total PPP weight: 236 grams

Sales: 1 million units

Secondary Packaging Weight for this SKU: 236,000 kgs.

Each brand and each of the pack sizes in which it is offered for sale has a separate SKU.

SKU: 8-pack cans has secondary packaging weight of:

Plastic (hi-cone rings): 8 grams

Cardboard (tray - each tray holds 3 units): 50 grams (1/3 of 150 grams for the tray)

Total PPP Weight: 58 grams

Sales: 800,000 units

Secondary Packaging Weight for this SKU: 46,400 kgs.

BDL has weighed all of the beer secondary packaging associated with all relevant SKUs in BC. Based on sales data for the calendar year and these secondary packaging weights, a total beer secondary packaging weight generated in the calendar year will be calculated. To the extent possible, this beer secondary packaging generation data will be broken down into retail sales (i.e. residential stream) and licensee sales (i.e. IC&I stream).

To verify the accuracy of the beer secondary packaging generation calculation, BDL has also requested brand owners to furnish it with data on the beer secondary packaging they have generated associated with sales of their brands. BDL is working with brand owners to design a reporting tool for the brand owner's suppliers to report secondary packaging weight to them at the time they purchase this secondary packaging.

#### Beer Secondary Packaging Collection

Calculating beer secondary packaging collection is more difficult because of the multiple streams through which beer secondary packaging flows and the different uses made of this beer secondary packaging.

The relevant streams through which beer secondary packaging is collected are:

- 1) Licensees (IC&I stream)
- 2) Depots (generally residential stream)
- 3) BC Liquor Stores (GLS) (residential stream)
- 4) Private retail stores (LRS) (residential stream)

In general, collected beer secondary packaging can be divided into two types:

- Returned cardboard/paper beer bottle cases ("refillable bottle cases")
  - These are stacked on pallets, used for transporting bottles to breweries or bottle wash stations<sup>11</sup> for refilling

Before they can be filled with beer, all bottles (whether new or ones that are being re-used) have to be washed. Many breweries have their own bottle washer that is part of their bottling line. Some breweries, however, do not have a bottle washer. These breweries generally have a commercial arrangement with a bottle wash station – an independent business that offers bottle wash services – to perform this cleaning.

- Pallets of refillable bottle cases are collected from each of the four streams set out above (but currently no data that identifies the source stream of a pallet)
- All other beer secondary packaging ("other beer secondary packaging")
  - This secondary packaging consists of paper (e.g. returned boxboard cases from cans), metal (e.g. bottle caps) and plastic (e.g. hi-cone rings)
  - This secondary packaging is collected through each of the four streams set out above
  - Ultimately, other beer secondary packaging collected through these streams will be processed either by BDL (and is captured in the weight of processed materials at BDL's Port Coquitlam warehouse) or through a stewardship depot (and is captured in the processed weight of materials from that depot)

For refillable bottle cases, BDL will obtain data on the weight of beer secondary packaging that has been recycled by the major breweries in BC, bottle wash stations and BDL's stewardship depots. This data will be compared to the secondary packaging weight collected derived from "return factor" calculations to verify the accuracy of the "return factor" calculations.

For other beer secondary packaging, the total amount to be reported will be based on the amount of secondary packaging processed from the BDL warehouse in Port Coquitlam and the amount of beer secondary packaging processed by stewardship depots. To calculate the amount of beer secondary packaging processed by stewardship depots, periodic audits of secondary packaging bales will be conducted to determine what percentage of an average secondary packaging bale is comprised of beer secondary packaging. This percentage will then be applied to the total amount of secondary packaging processed by stewardship depots to arrive at a tonnage for this stream.

#### c. Consumer awareness

The high percentage of refillable bottles that are currently returned in their original case is evidence that consumers are already well aware of their ability to return beer secondary packaging when they return their containers. That being said, it is important that consumers are made even more aware of the beer secondary packaging that they can return and how this beer secondary packaging is handled. With greater consumer education and awareness, BDL believes that even higher levels of diversion can be achieved.

As noted earlier, BDL will be undertaking a consumer awareness campaign over the course of this stewardship plan (2014-2018). In 2013, BDL will conduct consumer surveys in order to gauge the level of awareness existing amongst consumers and to identify how this consumer education campaign can be most effectively undertaken. BDL will conduct a follow-up survey near the end of the term of this stewardship plan to gauge the level of consumer awareness of the stewardship program and the success of its consumer education campaign.

An audit of pallets routed through the BDL Port Coquitlam warehouse will be undertaken on a periodic basis in order to calculate an average amount of secondary packaging, or a "return factor," that is recovered for each bottle recovered through these multiple streams.

#### d. Management of program costs

Similar to its product stewardship activities with respect to beer and cider containers, BDL will operate the program on a day-to-day basis, while the BC Brewers' Recycled Container Collection Council (BC BRCCC), a not-for-profit society established by the brewing sector to administer the financial and logistical requirements of BDL's stewardship, will provide governance with respect to the program funding. The BC BRCCC represents the vast majority of the volume of beer sold in the province in BC, with directors from brand owners (both large and small brewers), BDL and Canada's National Brewers.

The skills possessed by board members range from financial, planning and logistics expertise to customer service, marketing and brand management professionals. The BC BRCCC meets to review audited and projected material revenues, producer costs, BDL collection costs, service levels, environmental standards and measures. On the basis of these costs and revenues, the BC BRCCC will determine the appropriate charge, if any, to be assessed to brand owners for the collection of beer secondary packaging. This charge will be a net rate, based on projected and audited costs and offsetting revenues, which will be charged by BDL to brand owners. This rate will be reviewed periodically and can be adjusted annually as required. The BC BRCCC will monitor and manage the costs associated with beer secondary packaging collection and recycling in a cost-effective manner.

The BC BRCCC was originally formed to provide a governance structure to effectively steward beer and refillable containers in the province. The directors were selected to ensure that both small and large brewers have a voice in the operations and management of the stewardship plan and the financial decisions inherent within. The organization also serves to inform and resolve concerns brought by the directors related to stewardship and/or other facets of the operations to ensure compliance, continual improvement and excellence within the plan.

#### e. Management of environmental impacts

Brand owners make decisions about what type of secondary packaging they wish to use for the sale of their products. The BDL product stewardship plan then facilitates environmentally-friendly lifecycle management of that packaging by providing a cost-effective method to collect and recycle it.

Brewers utilize three main types of secondary packaging: paper, metal and plastic. Each of these material types has a viable commodity market. These markets help to ensure that beer secondary packaging will be diverted from landfill and finally recycled in compliance with the pollution prevention hierarchy.

As stated above, BDL's product stewardship plan places an emphasis on re-use and recycling. Where possible, BDL will quantify the pollution benefits associated with its product stewardship plan as part of its annual reporting process, including estimates of greenhouse gas emission reductions, reduced energy requirements and reduced pollutants.

#### f. Dispute resolution

#### **Complaints from Local Governments**

It is anticipated that, through the annual consultation with local governments committed to in this plan, that the vast majority of issues from local governments will be addressed through continual open communications between BDL and local governments. In the event that an issue remains that cannot be resolved through this annual consultation process, BDL will ensure that local governments (through a variety of channels, including UBCM and contact information at the Ministry of Environment) have access to information to directly contact BDL regarding these issues. BDL will look to meet in person, to the extent possible, with the relevant local government to discuss the issue and try to find an appropriate solution.

#### Complaints from Depots/Return Locations

If the issue involves a return location, BDL will investigate the issue and will make sure the return location is aware of the issue. If a return location is found to be in violation of its contractual commitments or legal obligations, BDL will take appropriate measures to ensure compliance (including potential dispute resolution procedures outlined in written contracts).

#### **Complaints from consumers**

Consumer complaints are directed to the appropriate BDL manager for follow-up and resolution. Through the website <a href="https://www.EnviroBeerBC.com">www.EnviroBeerBC.com</a>, consumers have access to information on BDL's product stewardship plans. The website also provides an e-mail link for consumers who have any questions or complaints regarding either BDL's bottle return or its beer secondary packaging return programs. The website includes an e-mail address, contact phone number and mailing address for public comments on BDL product stewardship activities.

Consumer concerns will generally be addressed in writing (for example, e-mail questions are responded to via e-mail).

#### Disputes between BDL and brewers/manufacturers that use BDL system

Producer compliance issues are anticipated to be minimal under BDL's product stewardship plan because BDL's beer secondary packaging is so closely linked to BDL's container recovery system. BDL's container recovery system is subject to the listing and product approval process related to beer sales in the province under the *Liquor Distribution Act*. As a result of this listing and approval process, most brand owners designate BDL as their product steward for containers prior to selling their products in BC. BDL anticipates that, as a result of the cost-effective and administratively-efficient nature of BDL's product stewardship plan, many of these brand owners will choose to designate BDL as their product steward for beer secondary packaging as well. Ongoing compliance is monitored through tracking within our accounts receivable and our brand registry systems.

In the event that BDL does encounter a problem with producer compliance, for the purposes of initiating an action with the Ministry of the Environment, non-compliance will be defined as a lack

of responsiveness from a brand owner after more than two notices on the brand owner's responsibilities under the Recycling Regulation have been sent from BDL.

In the event that BDL does not receive a signed agency appointment agreement from the brand owner within the prescribed timeframe, BDL may utilize the following notifications to underscore the importance of compliance with the *Recycling Regulation*:

- 1\* contact (60 days prior): Letter is sent to brand owner obligated under the Recycling Regulation, informing them of their responsibilities
- 2nd contact (if no response received within 30 days): A second letter is sent to the brand
  owner for lack of reply from the previous correspondence. In this letter, BDL will point out
  that the brand owner is liable if their company contravenes the Act.
- 3<sup>rd</sup> contact (if no response received 30 days after 2<sup>rd</sup> contact): A final letter with a deadline
  for submitting membership documents is sent by BDL. At this stage, BDL will consider each
  brand owner on a case-by-case basis to decide whether to proceed to the final stage.
- 4th contact (if no response received by deadline stipulated in 3td contact): A request for noncompliance actions is sent to the Ministry of the Environment, with a copy to the brand owner.

#### Coordination and Cooperation with other stewardship programs

Given that the primary recovery channel for BDL-related secondary packaging is through BDL's Schedule 1 (beverage container) return system, it is expected that some Schedule 5 materials (primarily boxboard) associated with returns from non-BDL Schedule 1 container returns may be commingled in returns of BDL secondary packaging. Similarly, there may be some volumes of BDL secondary packaging (again, primarily boxboard) entering other Schedule 5 collection systems. In either case, BDL will monitor its overall recovery performance and will coordinate with other Schedule 5 stewardship programs as necessary to ensure overall recovery performance and efficiency.

#### g. Performance measurement summary table

Beer secondary packaging recovery rates will be the core performance target for BDL's stewardship plan. As the plan's environmental benefits all flow from beer secondary packaging that is recovered, this recovery rate is strongly indicative of the program's performance. As consumer awareness will be a main driver of the recovery rate, BDL will also set targets for this performance measure. Other elements of performance, such as pollution prevention benefits, will be reported on annually, but no specific performance targets are planned at this time.

#### 1. Recovery Rate

Goal/Target: Achieve an aggregate recovery rate of 75% on residential and IC&I beer secondary packaging within 3 years of the stewardship plan coming into effect in May 2014.

<u>Rationale</u>: This is the key measure of the program's performance. As the goal in designating PPP is to eliminate these materials from landfill, this goal cannot be achieved unless a high recovery rate is being achieved.

Initiatives developed to support the goal/target: BDL already has a well-established program for the recovery of beer secondary packaging. Consumers, in general, are well educated to return their refillable beer bottles (and, often, also their non-refillable beer bottles) in the cases in which they were purchased. Through this established program, a significant amount of beer secondary packaging has been recovered and diverted for decades. BDL is working with our collection partners to ensure all beer secondary packaging will be accepted at all return locations. BDL is also planning a consumer education campaign, so that consumers are aware that they can return their beer secondary packaging along with their beer containers, as well as the environmental benefits of doing so.

Key performance measures: Target of a 75% recovery rate within three years of the stewardship plan coming into effect in May 2014.

Reporting: Progress with respect to performance targets will be included in BDL's annual report filed under the plan.

#### 2. Consumer Awareness

<u>Goal/Target</u>: Improve consumer awareness with respect to their ability to return beer secondary packaging along with their beer containers, as well as the environmental benefits associated with beer secondary packaging.

Rationale: Consumer awareness is what drives the recovery rate. BC consumers are generally familiar with returning their beer bottles in the cases in which they were purchased, but not as familiar with their ability to return other beer secondary packaging (such as cases sold with beer cans and bottle caps). BDL also believes that greater consumer awareness of brewers' use of DfE and the environmental benefits to be achieved under the BDL stewardship plan, they will be more likely to participate by returning their beer secondary packaging.

Initiatives developed to support the goal/target: BDL will be undertaking a consumer survey in 2013. The results from this survey will help to shape the specific initiatives that BDL will undertake in order to ensure these are as effective as possible. A follow-up survey will take place toward the end of the stewardship plan period to assess the success of the consumer education campaign.

<u>Key performance measures:</u> The success of this work will be measured through consumer research. Target a consumer awareness level of at least 75% in the follow-up survey to be done toward the end of the stewardship plan period.

Reporting: Progress with respect to consumer awareness will be included, as possible, in annual reports filed under the plan. A detailed report on the follow-up survey will be included in the relevant annual report.

#### Appendix

#### Feedback received on draft stewardship plan

- Regional District of Bulkley-Nechako (Janine Dougall and Carolynn Lane)
- UBCM (Marylyn Chiang)
- UBCM PPP Working Group (Stacey Barker)
- BC Bottle Depot Association (Corinne Atwood)
- BC Recycling Centres Association
- GLOBE Foundation (Paul Shorthouse)
- Metro Vancouver (Andrew Doi)
- City of Vancouver (Monica Kosmak)
- Russ Black (Belcorp)
- Municipality of Richmond (Emy Lai)
- StewardEdge Inc. (Jennifer Russell)
- Attendees at Coast Waste Management Association conference consultation (approx. 50-75 people in attendance)

# 2012-11-19 RE: Voicemail Follow-up: Paper and packaging requirements under recycling reg

Subject	RE: Voicemail Follow-up: Paper and packaging requirements under recycling re	
From	Bates, Julia ENV:EX	
То	McPhie, David LDB:EX	
Sent	Monday, November 19, 2012 4:07 PM	

#### Good afternoon David,

Thank you for your email and voice mail. My hope is that this email provides you with clarity in regards to the addition of Packaging and Paper under the Recycling Regulation, however should you have further inquiries please do not hesitate to contact me.

#### Background:

British Columbia's policy regarding waste management and recycling is to shift the onus of responsibility for managing products at their end of life from local governments and the general taxpayer to the producers and consumers. This shift is intended to incent producers of the products to incorporate environmental considerations in to product design and enhance waste diversion and ultimately eliminate waste being generate from their products. BC's policy is implemented through the Recycling Regulation (the Regulation), which provides a results-based framework for industry-led product stewardship. Products such as beverage containers, paint, electronics, oil, tires and pesticides are currently included in the Regulation.

In May 2011, the Regulation was amended to include the Packaging and Printed Paper (PPP) category. This amendment calls for the collection of all PPP generated in the province. Currently the Regulation mandates the point of collection of the product to be from residential premises and municipal property that is not institutional, commercial or industrial (ICI) property. The Ministry does intend to regulate collection from ICI property in the future and until then expects that ICI facilities will show leadership and strive to collect and recycle as much packaging as possible from their facilities (for example, hospitals, schools, offices, restaurants, hotels).

#### **Definition of Producer:**

If you have not already done so, I would encourage you to take a closer look at the <u>Recycling</u> Regulation, particularly the following sections:

- Section 1(1)(b), which defines "Producer"; and
- Section 5(1)(d), which outlines the points of collection for the packaging and printed paper category.

#### **Producer Obligations:**

As you have heard, producers of PPP will have to consult on and submit a product stewardship plan to the Ministry of Environment by November 19, 2012, and implement this plan by May 19, 2014.

Section 2(2) of the Regulation provides producers the option of appointing an agency to carry out its duties under a product stewardship plan. If a producer chooses to appoint an agency, the producer must notify the agency in writing before the agency begins to carry out the duties of the producer.

#### **Stewardship Agencies:**

Brewers Distributor Ltd. will be acting as the product steward for the majority of beer secondary packaging generated in the BC marketplace. It is the Ministry's understanding that the brewers that are BDL represents under Schedule 1 of the Regulation (for beverage containers) will be represented by BDL for Schedule 5 of the Regulation (PPP). A draft of the BDL stewardship plan is accessible at the following link:

http://rcbc.bc.ca/files/u7/epr\_brewersdistributorplannov2012.pdf. Brian Zeiler-Kligman, Director of Sustainability, bz-k@nationalbrewers.ca, Phone: (905) 361-4193, is a knowledgeable contact at BDL.

Multi-Materials BC (MMBC) is a stewardship agency representing the producers of packaging and printed paper (PPP). MMBC is developing a product stewardship program for one page 125

in response to the Regulation. MMBC has expressed their intent to work through sector specific issues with interested parties. A draft of the MMBC stewardship plan is accessible at the following link: <a href="http://www.multimaterialbc.ca/consultation">http://www.multimaterialbc.ca/consultation</a>. Gleda Gies, <a href="mailto:glendagies@ggies.ca">glendagies@ggies.ca</a> is a knowledgeable contact at MMBC.

Please be aware that these plans are still in draft form (the submission date to the Ministry was today, however the posted plans on their website are the previous version). With that in mind, I would encourage you to contact the stewardship agency that has formed to submit a plan on behalf of obligated PPP producers in BC to inquire about how they plan on dealing with your sector, unless you plan on submitting your own plan should you determine that you are an obligated producer.

I have provided a link to BC's Recycling Regulation for reference <a href="http://www.bclaws.ca/EPLibraries/bclaws\_new/document/ID/freeside/449\_2004">http://www.bclaws.ca/EPLibraries/bclaws\_new/document/ID/freeside/449\_2004</a>. Part 2 of the regulation describes the plan and annual reporting requirements. The schedules in the regulation have specific product category details – Packaging and Printed Paper category are listed in Schedule 5.

I've also included here a link to a guide that staff developed on meeting the requirements of this regulation, which might also be of use - http://www.env.gov.bc.ca/epd/recycling/guide/pdf/recycling\_regulation\_guide\_2012.pdf.

I recognize that this is a large amount of information to process at one time, therefore once again if you do have further questions please do not hesitate to contact me.

Kind regards,

#### **Julia Bates**

A/Senior Policy Advisor Environmental Quality Branch B.C. Ministry of Environment T: 250.356.9089 | F: 250. 356-7197

From: McPhie, David LDB:EX

Sent: Monday, November 19, 2012 2:20 PM

**To:** Bates, Julia ENV:EX

Cc: Armstrong, Meegan ENV:EX

Subject: Voicemail Follow-up: Paper and packaging requirements under recycling req

Hi Julia,

I just left you a voice-mail message.

In addition to what appears on the MOE website, do you have further documents that you are able to provide with respect to the upcoming paper and packaging stewardship requirements under the BC Recycling regulation?

I am hoping to get a better sense of the full scope of what is covered. We are a province-wide retailer but also work with agents to import various liquor products. Further, we give out some printed materials in our stores.

I am also hoping that you can give me some insight into what major brewers may have planned for secondary packaging (cardboard packaging and plastic rings supplied with beer).

Kind regards, Page 126 MOE-2014-00071, Part 2

#### Dave

#### David McPhie

Manager of Environmental Initiatives British Columbia Liquor Distribution Branch Phone: 604-252-3490 | Cell: 604-839-9582

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ARES 280-30 ORCS 50400-25 BEV GEN

#### MINISTRY OF ENVIRONMENT INFORMATION NOTE

Date: November 28, 2012 File: 50400-25/PACK GEN CLIFF/tracking #: 182861

PREPARED FOR: Deputy Minister Wes Shoemaker

ISSUE: Overview and status update on Extended Producer Responsibility (EPR) programs.

#### BACKGROUND:

- British Columbia (BC) is considered the North American leader in Extended Producer Responsibility (EPR) by being the first jurisdiction to enact legislation for EPR and by having more regulated programs than any other jurisdiction.
- EPR is a market-based policy that requires producers (manufacturers/sellers) of designated products to take full life-cycle management of their products, including collection and recycling. This policy places the responsibility and associated costs for end-of-life product management on the producers and consumers of products and not the general taxpayer or local government.
- The Recycling Regulation (2004), which provides the foundation for EPR in BC, is a results-based framework regulation that outlines core requirements for producers to manage their products at end-of-life. New programs are created by amending the regulation to add new product categories.
- In BC, EPR programs exist under the Recycling Regulation for: beverage containers, pharmaceuticals, paint, pesticides, gasoline, tires, electronics, used oil (containers and filters), solvents and flammable liquids, batteries, cell phones, mercury containing lamps, lighting equipment, audio visual equipment, large appliances, electric/electrical tools, automatic dispensers, antifreeze, toys, IT telecom equipment, monitoring/control equipment and thermostats.
- In October 2009, the Canada Wide Action Plan for Extended Producer Responsibility was released by the Canadian Council of Ministers of Environment (CCME). The plan commits all provinces and territories to develop EPR programs for a common product list under a common set of principles.
- The Ministry of Environment Service Plan (2012/13 2014/15) states a commitment to the timelines outlined in the Canadian Council of Ministers of the Environment (CCME) Canada-wide Action Plan for Extended Producer Responsibility (2009), including implementing an EPR program for Packaging and Printed Paper (PPP) by 2015.

#### DISCUSSION:

The BC Industry Product Stewardship Program has just completed a highly successful
decade of growth and transformation. BC is considered the North American leader in Product
Stewardship with more advanced policies and programs than any other jurisdiction.

- EPR is a proven and effective policy tool that supports the green economy, creates green jobs and provides environmental results.
- A 2008 study on economic impacts of Product Stewardship in BC found that this program supports some 1,600 full-time positions in direct employment and a further 500 indirect positions.
- A key objective of EPR is to incent manufacturers to redesign products to reduce the use of toxic substances and extend product life spans by making them more durable, reusable and recyclable.
- The number of industry plans/programs has grown from six (in 2002) to 23 (by November 2012) and new leading-edge market-based compliance policies have been developed to ensure industry program transparency and accountability (e.g. independent verification of results).
- Local governments support EPR as it supports their waste diversion goals. In August 2012
  the Ministry and Metro Vancouver signed a Memorandum of Understanding (MOU)
  outlining a commitment to work together to further enhance and expand EPR in BC.
- BC is well positioned to continue to be a leader in EPR in North America and continue to add new products to the Recycling Regulation to meet the CCME Action Plan commitments.

#### PRIORITIES:

The following is an update of some key priorities that will be a focus of the program area over the next few weeks:

#### Packaging and Printed Paper

- In BC, although municipal residential "blue box" packaging collection programs have existed
  for a number of years in some communities, packaging still comprises roughly 30 percent of
  solid waste disposed in landfills on a weight basis (significantly more by volume).
- For several years, the Union of BC Municipalities (UBCM) and its members have been
  requesting provincial action to establish an EPR program for packaging and printed material.
  In May 2011, the Regulation was amended to include PPP.As required under the Regulation,
  producers were required to submit a stewardship plan to MoE by November 19, 2012 and
  implement their approved stewardship plan by May 19, 2014.
- Two stewardship plans were received on November 19, 2012:
  - Multi-Materials British Columbia (MMBC) is the stewardship agency that has been appointed by the majority of producers of PPP.
  - Brewers Distributor Limited (BDL) submitted a stewardship plan on behalf of the majority of beer secondary packaging generated in the BC marketplace.
- MMBC and BDL have extended the stakeholder consultation on proposed stewardship plans and will continue to accept comments and questions until December 14, 2012 and January 9, 2012 respectively.

#### SUMMARY:

There are a growing number of product stewardship programs required under the Recycling Regulation. The addition of new and expansion of existing product categories has increased the time and resources required to review and approve stewardship plans, as well as undertake

compliance and monitoring activities. The Ministry will continue to look for solutions that will help government steer waste diversion activities in a manner that will ultimately eliminate waste or effectively manage it to fully realize its benefit as a resource.

Contact: ADM: Jim Standen Environmental

Protection

Phone: 250-387-1228

Alternate Contact:

Director: David Ranson Environmental Standards

Branch

Phone: 250-387-9933

Prepared by:

Staff: Julia Bates Senior Policy Analyst

Industry Product Stewardship

Phone: 250-356-9089

USE FOR NOTES FOR MINISTER			
Approved	Initials	Date	
DM			
DMO		11	
ADM	JM	Nov 29/12	
Dir.	DR	Nov 28/12	
Mgr.	DL	Nov 27/12	
Author	JB	Nov. 26/12	

# 2012-11-28 FYI Brewers extension

Subject FYI Brewers extension	
From	Bates, Julia ENV:EX
To Armstrong, Meegan ENV:EX	
Sent Wednesday, November 28, 2012 9:3	

Notice of Consultation Extended to January 9, 2013 - Brewers Distributor Ltd. BC Stewardship Plan for Beer Secondary Packaging (Schedule 5)

Brewers Distributor Limited (BDL) is currently seeking feedback on its stewardship plan for the recovery of beer secondary packaging (Schedule 5 – Packaging and Printed Paper). BDL would like to consult with members of the public and stakeholders regarding the submitted plan. Submit your questions, comments and feedback to Brian Zeiler-Kligman at 905-361-4193 or by e-mail at brekenational brewers.ca until January 9, 2013

#### Julia Bates

A/Senior Policy Advisor Environmental Quality Branch B.C. Ministry of Environment T: 250.356.9089 | F: 250. 356-7197

# [2012-11-30] FW: Beer can deposit

Subject	FW: Beer can deposit	
From	Armstrong, Meegan ENV:EX	
То	Ratcliffe, Julia ENV:EX	
Сс	Bates, Julia ENV:EX; Smirl, Lyn ENV:EX	
Sent	Friday, November 30, 2012 12:49 PM	

#### Hey JR,

Here's a beverage container issue that comes up often. Have a look at our correspondence file and you can search for responses to this question (CLIFF # 144552 for example...may be a newer reply so check others): Q:\EPD\ESB\CORRESPONDENCE\Community Waste Reduction Section (CW)

Please draft a reply e-mail for my review by Wednesday December 5<sup>th</sup>. Perhaps Julia B or Lyn could give you guidance Monday or Tuesday if you get stuck while I'm away those two days.

C. Meegan Armstrong T: 250.387.9944

From: Hall, Gord LDB:EX

Sent: Friday, November 30, 2012 10:32 AM

**To:** Armstrong, Meegan ENV:EX **Cc:** McPhie, David LDB:EX **Subject:** FW: Beer can deposit

Meegan: Future LDB responses to customer complaints like this one will be coming from David McPhie, as I am passing my beverage container policy responsibilities to him

s.22

s.22

From: Hall, Gord LDB:EX

Sent: Friday, November 30, 2012 10:30 AM

**To** s.22

**Cc:** Armstrong, Meegan ENV:EX **Subject:** RE: Beer can deposit

s.22

I am responding to your attached, November 22, 2012, email regarding empty container returns.

Government liquor stores operated by the Liquor Distribution Branch have limited warehouse space in which to store empty containers and as a result most of our stores have return limits.

Unfortunately, the Liquor Distribution Branch does not have any control over the amount of deposit refunds that are paid by bottle depots. The provincial Ministry of Environment is responsible for the regulations related to the empty container return system and the role of bottle depots in that system. By copy of this note, I have asked Meegan Armstrong of the Ministry of Environment to response to your concerns about the deposit refund paid by your local bottle depot on beer cans.

Gord Hall, Director, Corporate Policy British Columbia Liquor Distribution Branch Phone: 604-252-3035 Fax: 604-252-3026 gord.hall@bcldb.com www.bcldb.com From: S.22

Sent: Thursday, November 22, 2012 10:47 AM

**To:** LDB Communications LDB:EX **Subject:** Beer can deposit

To whom it may concern,

I am writing to complain about the seemingly province-wide policy of accepting a maximum of 4 dozen beer cans per person per day at the government liquor stores. In my community two of the stores have imposed this limit over the recent months and have been renovated resulting in less storage area for 'empties'. I can take as many empties as I want to the "Caps-off" bottle depot but receive only half of the deposit which was paid on those cans. Why should we be charged 10 cents per can deposit and receive back only 5 cents per can? And why is it that consumers can buy as many cases of beer as they want in a visit but only return four dozen per visit?

I have been collecting beer cans to supplement my income and have over 1200 at the moment... that's 25 trips to the liquor store to 'cash them in'. I have no problem taking beer cans to the bottle depot but if they are only going to pay 5 cents a can, then the buyers should only be charged 5 cents a can!

Consider a change to your deposit and return policies. People like myself keep the cans out of the landfill and reduce the litter on our highways and road-ways. So either abolish the limit on numbers of cans returnable per visit or reduce the deposit the consumer pays at the till. You can't have it both ways.

Sincerely,

s.22

Subject	RE: Beer can deposit	
From	Ratcliffe, Julia ENV:EX	
То	s.22	
Cc	HOLD - 131205 - Hall, Gord W LDB:EX; McPhie, David LDB:EX	
Sent	Fri day, De cember 7, 2012 9:12 AM	

Dear s.22

Thank you for your email regarding deposit-refunds on empty beer containers.

The producers of beverages sold in British Columbia (BC) are responsible for the collection and recycling of their empty beverage containers. To jointly carry out their obligations, the producers have formed two industry product stewardship agencies to provide for the management of empty beverage containers: Brewers Distributor Limited and Encorp Pacific. Brewers Distributor Limited serves as a stewardship agency for most domestic beer and some cider brands. For all other beverage types including wine, coolers, spirits, import beer and non-alcohol beverages, Encorp Pacific serves as the industry stewardship agency.

In addition to retail stores that are obligated to provide a full deposit-refund, these stewardship agencies may contract with collection facilities or bottle depots to provide a full refund for their containers. Brewers Distributors Limited has a more than 93 per cent province-wide beverage container recovery rate, with all sellers of domestic beer paying a full refund amount; however, Brewers Distributors Limited contracts with only a limited number of BC's independently owned and operated depots to provide a full deposit-refund to consumers for empty domestic beer cans and bottles. While some of the depots that do not contract with Brewers Distributors Limited will still accept their empty beer containers, they are not paid a handling fee to process these containers. As a result, the depots discount the deposit-refund to cover their expenses. The depots offer this as a convenience to consumers.

For more information on full refund locations for domestic beer bottles and cans, visit the Brewers Distributor Limited's website at <a href="http://www.beerbottlerefund.com">http://www.beerbottlerefund.com</a>. You may also wish to contact Mr. Bryan Cox, Vice President, Western Canada, Canada's National Brewers, regarding your concerns at <a href="bcox@nationalbrewers.ca">bcox@nationalbrewers.ca</a>.

Thank you again for writing and enquiring about deposit-refund policies.

Sincerely,

#### **Julia Ratcliffe, A.Ag.**

Environmental Management Analyst Waste Prevention, BC Ministry of Environment ph: 250.387.9454 f: 250.356.7197

From: Hall, Gord LDB:EX

Sent: Friday, November 30, 2012 10:30 AM

**To:** s.22

**Cc:** Armstrong, Meegan ENV:EX **Subject:** RE: Beer can deposit

s.22

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Gord Hall, Director, Corporate Policy British Columbia Liquor Distribution Branch Phone: 604-252-3035 Fax: 604-252-3026 gord.hall@bcldb.com www.bcldb.com

From: S.22

Sent: Thursday, November 22, 2012 10:47 AM

**To:** LDB Communications LDB:EX **Subject:** Beer can deposit

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Sincerely,

s.22

#### MINISTRY OF ENVIRONMENT INFORMATION NOTE

Date: January 21, 2013 File: 50400-25/PACK GEN CLIFF/tracking #: 185605

PREPARED FOR: Honourable Terry Lake, Minister of Environment

DATE AND TIME OF MEETING: January 23rd, 4:30 p.m.

ATTENDEES: Minister Lake; Jim Standen, Assistant Deputy Minister, Environmental Protection Division; David Ranson, Executive Director, Environmental Standards Branch; David Lawes, Manager, Waste Prevention Section.

ISSUE: Status of the Packaging and Printed Paper (PPP) Stewardship Program

#### BACKGROUND:

- In May 2011, the Recycling Regulation (the Regulation) was amended to include PPP (all
  paper printed with text or graphics such as newspapers, flyers, and phonebooks with the
  exception of bound books).
- Under the amended Regulation, producers of PPP are required to:
  - submit a stewardship plan detailing how they will finance and manage the recycling of PPP to the Ministry by November 19, 2012 and
  - b) have, and comply with, an approved stewardship plan by May 19, 2014.
- Two stewardship plans were received by November 19, 2012 deadline. Multi-Materials
  British Columbia (MMBC) submitted a plan for all packaging and printed paper and Brewers
  Distributor Limited (BDL) submitted a plan for beer container packaging (e.g. cases, etc).
  BDL has a longstanding product stewardship program for beer containers.
- MMBC and BDL committed to continue to receive input from stakeholders on their proposed stewardship plans to December 14, 2012 and January 9, 2012 respectively.

#### DISCUSSION:

 The Director of Waste Management is the statutory decision maker responsible for making decisions on product stewardship plans submitted under the Regulation.

#### MMBC Plan: Current Status

- Ministry staff have reviewed and provided MMBC with comments regarding the draft plan submitted November 19, 2012. Comments are related to:
  - a) the need for further scoping of performance measures;
  - b) the need for continued consultation with local governments; and
  - c) The need to clarify that the plan must cover all packaging, not just packaging that can be recycled.
- Ministry staff anticipate MMBC will amend and resubmit the plan for final approval during the first week(s) of February 2013.

 Upon receipt of MMBC's revised plan ministry staff will undertake a final review to ensure the plan meets all Regulatory requirements. A decision on plan approval is anticipated for the final week(s) of February 2013.

#### Brewer Distributed Limited Plan: Current Status

- BDL's draft stewardship plan was submitted by November 19, 2012, meeting the deadline requirements of the Regulation. BDL continued to receive stakeholder comments on their stewardship plan to January 9, 2012.
- Ministry staff anticipate BDL will revise and resubmit the plan for final approval during the first week(s) of February 2013.

#### Local Government Update: Transition to EPR for PPP

- Local governments have an important stake in the outcome of the transition to industry
  responsibility as they have been providing various levels of PPP collection and recycling
  services to their communities as part of their Solid Waste Management Plan activities.
- MMBC is proposing to offer local governments "first right of refusal" for financial compensation to continue to provide these services.
- MMBC and BDL have received input from the UBCM PPP Working Group and individual local governments on the development of their program.
- Several local governments have asked for more time for consultation on the plan without extending the implementation deadline.
- Other local governments have requested additional implementation/operation details and wish to negotiate the financial compensation that will be offered by MMBC before they can make a decision on supporting the plan.

#### SUMMARY:

The Ministry is anticipating that the final MMBC and BDL stewardship plans will be submitted during the first week(s) of February 2013 for decision by the Director. Staff are working on a communciations package for the Minister's use following a decision on the plans.

Contact: Alternate Contact:

ADM: Jim Standen Director: David Ranson
Environmental Environmental Standards Branch
Protection Division Phone: 250-387-9933

Protection Division Prone: 250-387-9933 Phone: 250-387-1228 Prepared by: Staff: Julia Bates Senior Policy Analyst Industry Product Stewardship Phone: 250-356-9089

USE FOR NOTES FOR MINISTER			
Approved	Initials	Date	
DM			
DMO			
ADM		1	
Dir.	DR	Jan. 21/13	
Mgr.	DL	Jan. 21/13	
Author	JB	Jan. 21/13	

## 2013-01-31 BDL Pre Audit Letter

Subject	BDL Pre Audit Letter
From	Rosati, Tony
То	'david.lawes@gov.bc.ca'
Сс	'david.ranson@gov.bc.ca'; Zeiler-Kligman, Brian; Lee, Sung; 'greg.tyson@gov.bc.ca'; Woodhouse, Christine A ENV: EXCEPT A Company of the Com
Sent	Thurs day, January 31, 2013 1:30 PM
Attachments	DOC

Hi David:

 ${\tt Please find BDL Progress Letter attached}.$ 

Tony Rosati Inventory Accountant- Empties The Beer Store Phone/Fax Number: (905) 212-2790 E-Mail: tony.rosati@thebeerstore.ca



Date: January 31, 2013

Submitted to:

David Lawes, Director of Waste Management Environmental Quality Branch Ministry of Environment P.O. Box 9341, STN PROV GOVT Victoria, B.C. V8W 9M1

VIA EMAIL

Dear Mr. David Lawes:

We are submitting this letter to report on the results of the pre-audit of our management of recovered product in accordance with the pollution prevention hierarchy under Section 8(2)(d) of the Recycling Regulation. Brewers Distributors Ltd. (BDL) had engaged KPMG LLP to perform the pre-audit and assist in preparing for the program for a successful audit of product management end-fate data in 2014.

The Pre-Audit is complete. The evaluation criteria have been developed and agreed upon by KPMG. We worked with KPMG to identify the gaps and developed the action plan with estimated time frame to meet the criteria. In the process, we also identified challenges in getting the supporting data thus we need to have further discussions with the Ministry of Environment and continue working with the auditor to define the details. Please find enclosed Appendix A for the audit criteria and action plan.

BDL will keep track of the progress to make sure that the gaps identified are closed on a timely basis.

Yours truly

Sung Lee

Director of Finance

cc: Christine Woodhouse, Environmental Management Office, Ministry of Environment

# Appendix A

Item	Evaluation Criterion	Finding	Action Plan	Estimated Timing
1	The quantity of bottles sent from the BDL warehouses to brewers is determined by the delivery sheet that is issued by the warehouse and also signed by the brewer.	Information available	No Action Required	NA
2	The quantity of bottles sent from collection depots to brewers is based on brewer's self-reporting on the "Industry Bottle Pool Report".	Information available.	No Action Required	NA
3	The data supporting the "industry Bottle Pool Report" is maintained by brewers and is available for audit	The mechanism for gaining audit access to this information has not yet been determined.  If the level of materiality of the bottles sent from depots to brewers can be demonstrated to be consistently immaterial, alternative supporting data such as the deposit paid out in this nature may be considered.	Due to commercial sensitivity of the information required (potential infringement of Competition Law) self reporting by the Member Brewers is believed to be sufficient, as there are financial implications to the Member Brewers based on reporting. There will be challenges getting this information. We will communicate with the brewers/industry groups to get the required information and to determine how assurance can be provided over this information and will speak with the ministry to determine whether alternative information is needed.	December 2013
4	The end fate of bottles is based on brewer self-reporting on the rate of reused, recycled	This is a new process, which needs development and	Will come up with a weighted average rate % of refillable bottles by	April 2013
	or dumped bottles.	standardizing.	Member/Non-Member Breweries as an end fate target.	

Item	Evaluation Criterion	Finding	Action Plan	Estimated Timing
5	The data supporting the end fate of bottles is maintained by brewers and categorized as:  Reused Sent on for recycling Sent to waste stream	The mechanism for gaining audit access to this information has not yet been determined. The Level of materiality of the bottles going to recycling or the waste stream has not yet been determined.	Develop a Standardized Template to be filled out by member/non- member breweries on a quarterly basis on the following:  1. % Reused 2. % sent for recycling 3. % sent to waste stream & where  See Item #3 for actions to address auditability of information.	August 2013
6	The data supporting the end fate of bottles send by brewers for recycling is maintained by brewers and is available for audit	The availability of this information to brewers is not yet known.  The mechanism for gaining audit access to this information has not yet been determined.  If the level of materiality of the bottles sent to recycling or the waste stream can be demonstrated to be consistently immaterial this evaluation criteria may need to be adjusted.	Based on End Target Goal Percentage will compare the information that is provided by Member/Non-Member Brewers. If it does not meet the end target goal set, we will follow up with them  See Item #3 for actions to address auditability of information.	On-Going Basis
7	The quantity of ditched bottles (glass) sent by BDL to Pacific Metal for recycling is determined based on invoice data from Pacific Metal according to the shipping	Information available	No Action Required	NA
	number and description— ditched bottles.			

Item	Evaluation Criterion	Finding	Action Plan	Estimated Timing
8	End fate of ditched bottles sent to Pacific Metals is based on its self-reporting on the weighted average data for the amount of glass recycled and the amount of glass sent to landfill.	Information available. Will need annual confirmation with Pacific Metal.	No Action Required	NA
9	An annual due diligence process is conducted to determine the material recovery pathways downstream of Pacific Metals and establish whether any glass material is sent to waste. If the amount of material sent to Pacific Metals exceeds 2% of the total number of bottles returned to BDL, the quantitative data on downstream recovery pathways is subject to audit.	The information for calculating the materiality is available.  The mechanism for gaining audit access to this information has not yet been determined.	This is Non-Material Source. Will confirm that the company in Seattle that Pacific Metal uses to send broken glass to is a bottle making facility and will perform a background check. This will be done On an annual basis.  No further action required to the extent this flow of material remains immaterial.	March 2013
10	The weight of cans delivered to Alcoa is based on invoiced Alcoa data reconciled to specific shipments by PO number.	Information available	No Action Required	
11	End fate of aluminum cans is based on qualitative end fate data reported by Alcoa to BDL.	Information available	No Action Required	

#### Information Note for Ministry Executive

February 1, 2013

Issue: Beverage Container Refund Discounting

British Columbia's industry led stewardship programs for alcoholic and non-alcoholic beverage containers are operated by two agencies presently discharge the responsibilities of beverage brand-owners in BC. Encorp Pacific (Canada) manages non-alcoholic beverages, (and since April 2007) wine, spirits, imported beer and coolers on behalf of 1000 beverage brand owners. The program is based on return-to-retail and depots. Brewers Distributor Ltd. (BDL) represents the domestic beer market and their collection program is also return-to-retail and depot collection.

#### Container Recycling Fee (CRF) Deposit-refund values in British Columbia

Encorp's container recycling fee is applied to all container sizes and ranges from \$0.01 to \$0.25 depending on container size.

BDL's stewardship program is funded internally by its membership so there is no container recycling fee charged to the consumer. Cost of product collection is built into the price of the product.

Minimum deposit-refund values under the BC Recycling Regulation are:

Container Size & Beverage type	Deposit and refund level
one litre or less for non-alcoholic beverages	5 cents
one litre or less for alcoholic beverages	10 cents
more than 1 litre for any beverage	20 cents

Both agencies typically operate their collection and recycling programs from: (1)
Container recycling fee, (2) unredeemed deposits, (3) commodity value of redeemed containers, (4) fees charged to producers if the other revenue sources fail to meet expenditures, and (5) interest on deposit money held in reserve.

Discounting is a practice that occurs at Encorp contracted Return-it depots. Essentially the depot operator does not return the full deposit to the consumer for the domestic beer container. The reason for this is that BDL does not have a contract with the Return-it depot. The depot operator will take the container from the consumer but return up to two to three cents less to the consumer from the deposit amount.

#### Discussion:

BDL's depot system is not harmonized with Encorp's Return-it system. This has created a two tiered collection system. This upsets consumers who do not know or might care

c:\users\paudunn\appdata\local\microsoft\onenote\12.0\onenoteofflinecache\_files\bevinfo note container discounting - 8f0b8e.doc

that there are two beverage stewardship programs operating in BC. Consumers want a full deposit on their containers being returned regardless of the collection facility.

BDL could improve and expand its depot system to harmonize with all Return-it redemption facilities.

In the event BDL does not cooperate to resolve the issue, the ministry could use tighter regulatory provision to address the issue.

#### Recommendation:

Work with BDL to better understand this issue and assess where in their system the problem is occurring. The ministry request BDL to come back to the ministry with a solution towards harmonization with Return-it depots.

The goal for the ministry is to achieve agreement amongst the beverage industry to harmonize its collection system for domestic and import alcohol at Return-It depots. This would essentially eliminate a two tiered collection system which improves service levels and eliminates the discounting issue.

Prepared by: Bob Paul

Environmental Analyst

Paul/

c:\users\paudunn\appdata\local\microsoft\onenote\12.0\onenoteofflinecache\_files\bev info note container discounting - 8f0b8e.doc

#### MINISTRY OF ENVIRONMENT INFORMATION NOTE

Date: February 5, 2013 File: 50400-25/PACK GEN CLIFF/tracking #: 187913 Previous CLIFF#: 185605

PREPARED FOR: Honourable Terry Lake, Minister of Environment

DATE AND TIME OF MEETING: February 20th, 10:15-10:45 a.m.

ATTENDEES: Minister Lake; David Ranson, Executive Director, Environmental Standards Branch; David Lawes, Manager, Waste Prevention Section.

ISSUE: Status of the Packaging and Printed Paper (PPP) Stewardship Program

#### BACKGROUND:

- In May 2011, the Recycling Regulation (the Regulation) was amended to include PPP including all paper printed with text or graphics such as newspapers, flyers, and phonebooks with the exception of bound books.
- . Under the amended Regulation, producers of PPP are required to:
  - a) submit a stewardship plan detailing how they will finance and manage the recycling of PPP to the Ministry by November 19, 2012 and
  - b) have, and comply with, an approved stewardship plan by May 19, 2014.
- Two stewardship plans were received by November 19, 2012 deadline. Multi-Materials
  British Columbia (MMBC) submitted a plan for all packaging and printed paper and Brewers
  Distributor Limited (BDL) submitted a plan for beer container packaging (e.g. cases, etc).
  BDL has a longstanding product stewardship program for beer containers.
- MMBC and BDL committed to continue to receive input from stakeholders on their proposed stewardship plans to December 14, 2012 and January 9, 2012 respectively.

#### DISCUSSION:

 The Director of Waste Management is the statutory decision maker responsible for making decisions on product stewardship plans submitted under the Regulation.

#### Brewer Distributed Limited Plan: Current Status

- BDL's draft stewardship plan was submitted by November 19, 2012, meeting the deadline requirements of the Regulation. BDL continued to receive stakeholder comments on their stewardship plan to January 9, 2013.
- BDL received no additional stakeholder comments during the extended consultation period.
   As such the BDL plan received November 19, 2012 is the final version submitted to meet the requirements of the Regulation.
- · Ministry staff are currently reviewing the plan.

#### MMBC Plan: Current Status

- MMBC's draft stewardship plan was submitted by November 19, 2012, meeting the deadline requirements of the Regulation. MMBC continued to receive stakeholder comments on their stewardship plan to December 14, 2012.
- On January 30, 2013, Ministry staff met with MMBC representatives for a follow-up meeting regarding ministry comments on the plan; on February 4, 2013, the ministry received a revised draft plan for review and it is currently being analyzed.
- Ministry staff anticipate MMBC soon will finalize and submit a final plan for Director approval.

#### Local Government Update: Transition to EPR for PPP

- Local governments have an important stake in the outcome of the transition to industry
  responsibility as they have been providing various levels of PPP collection and recycling
  services to their communities as part of their Solid Waste Management Plan activities.
- MMBC is proposing to offer local governments "first right of refusal" for financial compensation to continue to provide these services.
- MMBC and BDL have received input from the UBCM PPP Working Group and individual local governments on the development of their program.
- Key issues for various local governments revolve around implementation/operational aspects
  of the plan including such issues as: scope of collection services, market clearing price
  financial mechanisms, and collector agreements. MMBC has committed in their revised plan
  to continue dialogue and consultation with stakeholders during plan implementation to
  address outstanding concerns.

#### Economic Update: Jobs and the BC Economy

- Industry's approach to delivery of PPP collection services is based on providing opportunity
  for those businesses in BC currently involved in the collection of PPP today to be part of the
  PPP collection system when producers assume responsibility for the PPP recovery system in
  May 2014.
- To support this, but without interfering in the market place, the Ministry is requiring MMBC to include greenhouse gas reduction targets in their plan.

#### Financial Transparency Update: Audited Statements

 MMBC intends to annually post third-party audited financial statements unless market competition issues arise (i.e., another multi-material PPP plan is approved).

#### Dispute Resolution Update: Residents

 Should residents have issues with the collection of PPP the first point of contact will be: local government, where local governments continue to provide service; or MMBC, where industry has been contracted to collect packaging and printed paper.

#### SUMMARY:

The Ministry is anticipating that the final MMBC stewardship plan will be submitted shortly for decision by the Director. Staff are working on a communciations package for the Minister's use following a decision on the plans.

Contact:

ADM: Jim Standen Environmental Protection Division Phone: 250-387-1228 Alternate Contact:

Director: David Ranson Environmental Standards Branch Phone: 250-387-9933

3

Prepared by:

Staff: Julia Bates Senior Policy Analyst Industry Product Stewardship Phone: 250-356-9089

USE FOR NOTES FOR MINISTER			
Approved	roved Initials Date		
DM			
DMO	VJ	Feb 15/13	
ADM	JS	Feb 15/13	
Dir	DR	Feb 8/13	
Mgr.	MA	Feb 6/13	
Author	JB	Feb 5/13	



File: 50400-20/BEV GEN

February 13, 2013

Blair Wells General Manager The Fort Pub & Grill PO Box 324, 9273 Glover Road Fort Langley BC V1M 2R6

Dear Mr. Wells:

Ensuring compliance with provincial regulatory requirements is one of the Ministry of Environment's principal objectives. The purpose of my letter is to inform you, if you are not already aware, of retailers' regulatory requirements stated in the Province of British Columbia's Recycling Regulation (B.C. Reg. 449/2004). This regulation was enacted in October 2004 under authority of the Environmental Management Act and is the current legal basis for the province's beverage container deposit-refund system which has been in operation since the early 1970s.

The Recycling Regulation prescribes deposit-refund requirements for sellers of containers of all ready to serve drinks except milk, milk substitutes and liquid meal replacements. Specific requirements for all retailers selling beverage containers are to collect beverage container deposits at the point of sale and pay refunds for redeemed containers of the same type and brand that the retailer sells in an amount equal to the deposit collected. Retailers are entitled under the regulation to limit the total number of returns to 24 containers per person per day. Further, retailers are not required to accept any container that is contaminated, rusty, dirty, was purchased outside of the province or cannot be reasonably identified as a deposit bearing beverage container.

The Ministry of Environment has received a complaint regarding container redemption polices at your location that are not consistent with the requirements of the Recycling Regulation. Without prejudice, you are advised that persons contravening the Regulation commit an offence and are liable for enforcement action which can include tickets of \$115 per offence or fines of up to \$200,000 upon conviction.

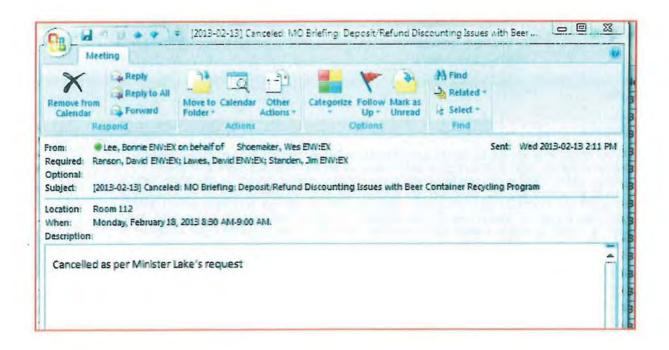
If you have any questions, please contact me by phone at (250) 387-9454 or by email at: Julia.Ratcliffe@gov.bc.ca.

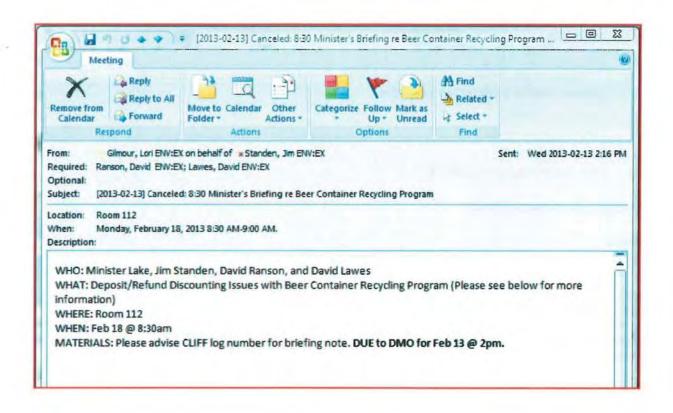
Sincerely,

Julia Ratcliffe Waste Prevention

Enclosure - Summary of obligations of sellers of ready to serve beverages in British Columbia

# [2013-02-13] Canceled: MO Briefing: Deposit/Refund Discounting Issues with Beer Container Recycling Program





# [2013-02-13] RE: Request: MO Briefing: Issues with Beer Container recycling Program on Feb 18 @ 8:30am - DUE to DMO for Feb 13 @ 2pm

Subject	RE: Request: MO Briefing: Issues with Beer Container recycling Program on Feb 18 @ 8:30am - DUE to DMO for Feb 13 @ 2pm
From	Hughes, Janet ENV:EX
То	Ratcliffe, Julia ENV:EX
Cc	Singer, Laura CENV:EX
Sent	Wednesday, February 13, 2013 4:08 PM

#### This briefing has been cancelled.

#### Thanks,

#### Janet

From: Gilmour, Lori ENV:EX

Sent: Tuesday, February 12, 2013 9:04 AM

To: Hughes, Janet ENV: EX

Subject: FW: Request: MO Briefing: Issues with Beer Container recycling Program on Feb 18 @

8:30am - DUE to DMO for Feb 13 @ 2pm

FYI – originally when I was asked to set up I was told that Briefing Note is underway, this is a Ministry Generated meeting. Greg said to advise of #. I see now from these notes that there is now a # set up from Laura – 188195. See below. Thank, Lori

From: Visco, Greg ENV:EX

Sent: Friday, February 8, 2013 1:28 PM

To: Gilmour, Lori ENV:EX

Cc: Jackson, Vickie ENV:EX; Lee, Bonnie ENV:EX; Johnston, Karen GCPE:EX; Murphy, Bernadette

GCPE:EX

Subject: MO Briefing: Issues with Beer Container recycling Program on Feb 18 @ 8:30am - DUE to DMO

for Feb 13 @ 2pm

Hi Lori,

The Minister's Office has scheduled this briefing:

WHO: Minister Lake, Jim Standen, David Ranson, and David Lawes - Please confirm staff

WHAT: Deposit/Refund Discounting Issues with Beer Container Recycling Program (Please see below for

more information) WHERE: Room 112

WHEN: Feb 18 @ 8:30am

MATERIALS: Please advise CLIFF log number for briefing note. DUE to DMO for Feb 13 @ 2pm.

Thank you,

#### Greg Visco, a/Administrative Coordinator

Office of the Deputy Minister | Ministry of Environment 5th Floor - 2975 Jutland Rd, I Victoria RC I VRT 5J9

Phone: 250-387-9886 | Cell s.17

From: Gilmour, Lori ENV:EX

Sent: Tuesday, February 5, 2013 1:07 PM

To: Visco, Greg ENV:EX

Cc: Lee, Bonnie ENV:EX; Jackson, Vickie ENV:EX; Standen, Jim ENV:EX

Subject: Request for Minister Briefing on Beverage Containers

Hi, please find below a request for a Minister's Briefing from our office. Thank you, Lori

WHAT: Deposit/Refund Discounting Issues with Beer Container Recycling Program

WHEN: Feb 14-21 for 30 min

WHO: Minister Lake, David Ranson, David Lawes +1

MATERIALS: Briefing Note underway

#### Lori Gilmour

Executive Administrative Assistant for Jim Standen Environmental Protection Division Ministry of Environment Telephone: 250-387-1288

#### Armstrong, Meegan ENV:EX

From: Armstrong, Meegan ENV:EX
Sent: Friday, February 15, 2013 12:41 PM
To: 'bz-k@nationalbrewers.ca'

To: 'bz-k@nationalbrewers.ca Subject: Re: My phone message

Ok - call my cell. S.17 I have another conference call at 1:30 so will have to off by then.

Meegan Armstrong Sent from Blackberry

From: Zeiler-Kligman, Brian [mailto:bz-k@nationalbrewers.ca]

Sent: Friday, February 15, 2013 12:25 PM

To: Armstrong, Meegan ENV:EX Subject: RE: My phone message

Hi Meegan:

Just on a conference call right now. Should be done by 1 pm or so your time. Will try you then.

Brian

Brian Zeiler-Kligman, M.A., LL.B.

905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

From: Armstrong, Meegan ENV:EX [mailto:Meegan.Armstrong@gov.bc.ca]

Sent: February 15, 2013 3:18 PM

To: Zeiler-Kligman, Brian Subject: My phone message

Afternoon Brian,

Left you a message to give me a call - try my office first, if not call my cell s.17

C. Meegan Armstrong | Project Manager - Industry Product Stewardship | Environmental Quality Branch | Ministry of Environment 3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1

T: 250.387.9944

# 2013-02-15 RE: For Action: CLIFF 188195 Bev Container Discounting InfoNote

Subject	RE: For Action: CLIFF 188195 Bev Container Discounting InfoNote
From	Lawes, David ENV:EX
То	Ratcliffe, Julia ENV:EX; Armstrong, Meegan ENV:EX
Sent	Friday, February 15, 2013 10:08 AM

Julia – the note can go on hold as the meeting is now cancelled. We still have direction to fix this...Meegan and I discussed a couple options on Tuesday.

D.

From: Ratcliffe, Julia ENV:EX

Sent: Friday, February 15, 2013 10:04 AM

To: Armstrong, Meegan ENV:EX

Cc: Lawes, David ENV:EX

Subject: For Action: CLIFF 188195 Bev Container Discounting InfoNote

Meegan – Should I continue to work on the info note? If so, I need direction on what our "next steps" are going to be and why.

<Q:\EPD\ESB\CORRESPONDENCE\Waste Prevention Nov 1 2012 and onwards\Info Notes\188195-Beverage Container Discounting IN DRAFTFeb 2013 VERSION 2.docx>

Thanks, Julia

Not Responsive

Environmental Protection Division PO Box 9341 Stn Prov Govt Victoria, BC Canada V8W 9M1

Phone: (250) 387-3588 Fax: (250) 356-7197

# 2013-02-18 RE: 140255 - s.22 Beverage Container Deposits

Subject	RE: 140255	s.22	Beverage Container Deposits
From	Nicoll, Sara EN	IV:EX	
То	Ratcliffe, Julia	ENV:EX	
Sent	Monday, Febr	uary 18, 2	2013 11:25 AM

**Attachments** 



141006 - s.22 .

#### Hi Julia:

Yes, a response was drafted by ESB staff under file 141006 and was sent out under Jim Standen's signature on June 24, 2011 (attached).

Let me know if any other info is needed!

Thanks, Sara

From: Ratcliffe, Julia ENV:EX

**Sent:** Monday, February 18, 2013 11:15 AM

**To:** Nicoll, Sara ENV:EX

**Subject:** FW: 140255 Beverage Container Deposits

Hi Sara,

This MO just came to our attention. There's a response from Jim S. for the first one, but it doesn't look like we have a record of a second response. Do you know if the correspondence unit sent something?

Thanks, Julia

From: Armstrong, Meegan ENV:EX

Sent: Monday, February 18, 2013 10:57 AM

**To:** Ratcliffe, Julia ENV:EX

**Subject:** FW: 140255 s.22 - Beverage Container Deposits

Hi Julia,

I was doing a search in my inbox for other items and came across this email chain. I don't seem to be able to determine who sent it to me originally, do you remember responding to it? If not we should or at least talk to correspondence unit if they did...talk to Sara Nicoll (down at the other end of the building on this floor)

C. Meegan Armstrong T: 250.387.9944 **From:** Armstrong, Meegan ENV:EX **Sent:** Tuesday, February 5, 2013 1:26 PM

To: Armstrong, Meegan ENV:EX

**Subject:** FW: 140255 - s.22 Beverage Container Deposits

C. Meegan Armstrong T: 250.387.9944

From: Beitz, Brian ENV:EX

**Sent:** Thursday, May 26, 2011 9:52 AM **To:** Correspondence Unit ENV:EX

**Subject:** FW: 140255 - Beverage Container Deposits

From: Sharma, Rishi ENV:EX

**Sent:** Thursday, May 26, 2011 9:50 AM

**To:** Beitz, Brian ENV:EX

**Subject:** RE: 140255 s.22 Beverage Container Deposits

Yes, pls... Rish

From: Beitz, Brian ENV:EX

**Sent:** Thursday, May 26, 2011 8:23 AM

**To:** Sharma, Rishi ENV:EX

**Subject:** FW: 140255 Severage Container Deposits

Hi Rish,

Reply Direct?

Thanks, Brian

From: S.22

Sent: Wednesday, May 25, 2011 9:07 PM

To: WWW ENVMail ENV:EX

**Subject:** Re: 140255 Beverage Container Deposits

Hi Jim

Many thanks for your precise response.

I would however ask the premiere whether she considers it fair to the people that live in a community that has a bottle depot like the one here in Golden that doesn't give a full refund as apposed

to say Revelstoke that pays a full refund. I do not have to inform her that it is becoming more and more costly to live in rural area's, so why do we get penalized in this way. Can you explain why the Golden bottle depot has no contract with B. D. L. If you check the Encorp web site you will see that many of the bottle depots charge different fees, can she also take a look at this for me please. They should all be the same.

I do appreciate the fact that all the information you gave me is available on the Encorp web

site, but dose the premiere not think it also fair they should inform the public that you can get a **full refund** if you take your bottle recycling to the place of purchase. To some people in this town every penny counts. Also when, like very recently, a group of Girl Guides had to take there bottles from a bottle drive all the way to Revelstoke to maximize there collection money, is that a good situation.

I look forward to your rely.

Many thanks again

s.22

From: WWW ENVMail ENV:EX

Sent: Wednesday, May 25, 2011 3:42 PM

**To:** s.22

Cc: Premier's Office PREM:EX

Subject: 140255 - S.22 Beverage Container Deposits

Reference: 140255

May 25, 2011

s.22

Dear s.22

Thank you for your email of April 5, 2011, addressed to the Honourable Christy Clark, Premier, regarding beverage container deposits. As this issue falls under the jurisdiction of the Ministry of Environment, I am pleased to have the opportunity to respond on behalf of the Premier and the Honourable Terry Lake, Minister of Environment, and apologize for the delay in doing so.

The Recycling Regulation outlines deposit-refund requirements for sellers of containers of all ready-to-serve drinks except milk, milk substitutes and liquid meal replacements. Specific requirements for all retailers selling beverage containers are to collect beverage container deposits at the point of sale and pay refunds for redeemed containers of the same type and brand that the retailer sells in an amount equal to the deposit collected. Retailers are entitled under the regulation to limit the total number of returns to 24 containers per person per day.

In addition to retail stores, empty beverage containers can also be returned to collection facilities or bottle depots. Many of these depots contract with the industry product stewardship agencies, Encorp Pacific and Brewers Distributors Limited, to accept containers and pay a full deposit-refund. Brewers Distributors Limited is the industry product stewardship agency responsible for domestic beer can and bottle recycling.

Brewers Distributors Limited contracts with a limited number of Encorp's Return-It<sup>TM</sup> depots to provide a full deposit-refund for domestic beer cans. Some of the depots that do not contract with Brewers Distributors Limited will discount the deposit-refund to cover their handling expenses.

For more information on full refund collection facilities for domestic beer bottles and cans, visit the Brewers Distributors Limited website at <a href="http://www.beerbottlerefund.com">http://www.beerbottlerefund.com</a> or contact them via email at info@beerbottlerefund.com.

Thank you again for taking the time to share your thoughts with me.

Sincerely,

Original Signed By

Jim Standen Assistant Deputy Minister Environmental Protection Division Ministry of Environment From: s.22

**Sent:** Tuesday, April 5, 2011 7:58 PM **To:** OfficeofthePremier, Office PREM:EX

Subject: Fw: Refund deposits for beverage containers not being fully refunded to the public - Correction

Apologies, Salmon Arm have now corrected their charges, please compare with Sicamous and numerous others!

From s.22

Sent: Tuesday, April 05, 2011 8:49 PM

To: premier@gov.bc.ca

Subject: Refund deposits for beverage containers not being fully refunded to the public

Hi

Encorp do not seem to be fulfilling their obligations to return the full amount of deposits back to the public.

For example if you checkout Encorps website, click onto Return-It Locations, Okanagan region, Columbia Shuswap then onto Services offered,

you will see that Salmon Arm and Golden as only two examples, only refund 5 cents per Beer can instead of the 10 cents paid as a deposit by

the consumer. Are we not taxed enough on Alcohol without being additionally ripped off in the name of recycling.

Is there an explanation for this?

Schedule 1 of the <u>Recycling Regulation</u> lists specific regulatory requirements for the Beverage Container Product Category. The Schedule requires a seller of beverages to collect a deposit from the purchaser, specifies the minimum amount of the deposit and requires sellers and/or authorized return redemption facilities to accept containers and **pay a refund per container not less than the amount of the deposit collected.** 

I would be very interested to know your position on this.

Many thanks for your time.

s.22

#### Dunn, Paula ENV:EX

From: WWW ENVMail ENV:EX
Sent: Friday, June 24, 2011 4:51 PM

**To:** s.22

Subject: 141006 - s.22 RE: Beverage Container Deposits

Reference: 141006

June 24, 2011

s.22

Email: s.22

Dear s.22

Thank you for your email of May 25, 2011, responding to my previous email regarding your enquiry into beverage container deposits.

Brewers Distributors Limited (BDL) is the industry agency responsible for the management and recycling of domestic beer containers. Their program has a 93.7 percent province-wide beverage container recovery rate with all sellers of domestic beer paying a full refund amount. However, independently owned and operated depots such as the one in Golden may or may not enter into service agreements with BDL to provide a full deposit-refund. Please refer to the BDL website at <a href="https://www.beerbottlerefund.com">www.beerbottlerefund.com</a> for information on their stewardship program and a list of full deposit-refund locations in Golden.

As you write in your letter, Encorp Pacific's website does list varying refund amounts offered at some depots for domestic beer containers. Encorp Pacific is not responsible for the management of domestic beer bottle returns and lists the deposit-refund amount for these containers on their website as a service to customers for informational purposes only.

I would encourage you to contact BDL directly to discuss options to increase the number of return locations in Golden that pay a full refund and in finding a local solution for community groups conducting bottle drives. You can reach Tony Beck, Director of British Columbia Operations, BDL, at Tony Beck@bdl.ca.

Thank you again for taking the time to share your thoughts with me.

Sincerely,

Original signed by

Jim Standen Assistant Deputy Minister Environmental Protection Division Ministry of Environment

From s.22

Sent: Wednesday, May 25, 2011 9:07 PM

To: WWW ENVMail ENV: EX

Subject: Re: 140255 s.22 Beverage Container Deposits

Hi Jim

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I do appreciate the fact that all the information you gave me is available on the Encorp web site, but dose the premiere not think it also fair they should inform the public that you can get a **full refund** if you take your bottle recycling to the place of purchase. To some people in this town every penny counts. Also when, like very recently, a group of Girl Guides had to take there bottles from a bottle drive all the way to Revelstoke to maximize there collection money, is that a good situation.

I look forward to your rely.

Many thanks again

s.22

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Sent: Wednesday, May 25, 2011 3:42 PM

To s.22

Cc: Premier's Office PREM:EX

Subject: 140255 · s.22 Beverage Container Deposits

Reference: 140255

May 25, 2011

s.22

Email: s.22

Dear s.22

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In addition to retail stores, empty beverage containers can also be returned to collection facilities or bottle depots. Many of these depots contract with the industry product stewardship agencies, Encorp Pacific and Brewers Distributors Limited, to accept containers and pay a full deposit-refund. Brewers Distributors Limited is the industry product stewardship agency responsible for domestic beer can and bottle recycling.

Brewers Distributors Limited contracts with a limited number of Encorp's Return-It™ depots to provide a full deposit-refund for domestic beer cans. Some of the depots that do not contract with Brewers Distributors Limited will discount the deposit-refund to cover their handling expe<sup>Page 163</sup><sub>MOE-2014-00071, Part 2</sub>

-

For more information on full refund collection facilities for domestic beer bottles and cans, visit the Brewers Distributors Limited website at <a href="http://www.beerbottlerefund.com">http://www.beerbottlerefund.com</a> or contact them via email at info@beerbottlerefund.com.

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Sincerely,

Original Signed By

Jim Standen Assistant Deputy Minister Environmental Protection Division Ministry of Environment

cc: Honourable Christy Clark, Premier

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I would be very interested to know your position on this.

Many thanks for your time.

## [2013-02-19] FW: Beverage Container Discounting

Subject	FW: Beverage Container Discounting
From	Armstrong, Meegan ENV:EX
То	Cotton, Brian GCPE:EX
Сс	Ratcliffe, Julia ENV:EX; Lawes, David ENV:EX
Sent	Tues day, February 19, 2013 10:51 AM

#### Brian,

Here are some bullets on the discounting issue in case you need them before the IN is finalized (although no briefing is scheduled at this time, we are preparing an IN/BN so it is shelf ready if the issue comes up)

**Issue:** Discounting of beverage containers

#### **Background:**

The Recycling Regulation requires that a container redemption facility (identified in an approved plan) or a retailer (up to 24 per person per day) must accept containers for return and pay to the person returning the containers a cash refund in an amount not less than:

one litre or less for non-alcoholic beverages 5 cents one litre or less for alcoholic beverages 10 cents more than 1 litre for any beverage 20 cents

- Two stewardship agencies currently operate beverage container programs in BC under approved Product Stewardship Plans:
  - Brewers Distributor Ltd. (BDL) for domestic beer, cider and cooler bottles and imported and domestic beer cans. BDL achieves container recovery rates of 94%. To collect empty containers BDL's uses retailers and has contracts with some bottle depots.
  - Encorp Pacific (Encorp) for all non-alcohol beverages, plus wine, spirits and import beer sold in glass containers. Encorp achieves container recovery rates of about 80%. To collect empty containers Encorp relies heavily on bottle depots as the primary point of return for containers.
  - Approximately 84 of the 172 depots in BC are considered full refund depots because
    they have contracts with both Encorp and BDL and as such are considered container
    redemption facilities for both programs. The contracts ensure the depots are
    compensated through a bottle handling fee.
  - Discounting occurs when consumers choose to return beer containers to bottle
    depots that have contracts with Encorp but not with BDL. These depot will accept all
    deposit-bearing containers, remit a full deposit refund for the Encorp containers, but
    only remit a partial refund for the BDL containers (i.e. the customer pays a 10 cent
    deposit at point of purchase but only receives 5 cents back in the refund),
    presumably because they are not compensated with a bottle handling fee given the
    absence of a contract.
  - Under the Recycling Regulation, only container redemption facilities identified under an approved stewardship plan must provide the public with a full deposit refund.
     Although these 'discounting depots' are not clearly identified in the BDL stewardship plan, BDL has agents that collect the beverage containers from them and BDL takes

- credit for the (discounted) containers in their 94% annual recovery rates.
- It has been estimates that discounting deposit refunds amounts to \$3 million annually (not confimed by ministry staff).
- Ministry staff regularly receive complaints from the public who have received discounted deposit refunds from the depots.

#### **Next Steps**

s.13

#### Dunn, Paula ENV:EX

From: Armstrong, Meegan ENV:EX

Sent: Tuesday, February 19, 2013 9:27 AM

To: Ratcliffe, Julia ENV:EX

Subject: Beverage Container Discounting

Importance: High

Julia, I started this yesterday but could you finish this up and send back to me....before noon if possible: Indicate

s.13

Brian,

Here are some bullets on the discounting issue in case you need them before the IN is finalized (although there is not briefing scheduled at this time we are preparing an IN/BN so it is shelf ready if the issue comes up)

Issue: Discounting of BDL beverage containers

#### Background:

The Recycling Regulation requires that a container redemption facility or a retailer (up to 24 per person per day) must accept containers for return and pay to the person returning the containers a cash refund in an amount:

one litre or less for non-alcoholic beverages 5 cents one litre or less for alcoholic beverages 10 cents more than 1 litre for any beverage 20 cents

Two stewardship agencies currently operate beverage container programs in BC under approved Product Stewardship Plans:

- Brewers Distributor Ltd. (BDL) for domestic beer, cider and cooler bottles and imported and domestic beer cans. BDL achieves container recovery rates of 94%. To collect empty containers BDL's uses retailers and has contracts with some bottle depots.
- Encorp Pacific (Encorp) for all non-alcohol beverages, plus wine, spirits and import beer sold in glass containers. Encorp achieves container recovery rates of about 80%. To collect empty containers Encorp relies heavily on bottle depots as the primary point of return for containers.

(below two paragraphs need to be condensed to tell the story about how discounting happens

 Approximately 84 of the 172 depots in BC are considered full refund depots because they have contracts with both Encorp and BDL and as such are considered container redemption facilities for both programs. Discounting occurs when consumers choose to return beer containers to bottle depots that are not authorized container redemption facilities in the BDL Stewardship Program.

Encorp contracted depots (172) provide the public full deposit refunds for Encorp beverage containers, and Encorp compensates the depot through a handling fee. Although not all depots contracted by Encorp also have contracts with BDL, they will still accept BDL's domestic beverage

containers. Frequently these depots recover the cost to handle BDL's beverage containers by giving the public a discounted deposit refund on their BDL beverage containers (i.e. the customer pays a 10 cent deposit at point of purchase but only receives 5 cents back in the refund). Under the Recycling Regulation, only retail stores and container redemption facilities identified under an approved stewardship plan must provide the public with a full deposit refund. The depots that discount deposit refunds are identified under BDL's stewardship plan; however, by not having contracts BDL qualifies them. BDL continues to include the bottles collected from these discounting depots in accounting. The depots are essentially acting on behalf of BDL to collect the beverage containers.

s.13

From: Ratcliffe, Julia ENV:EX

Sent: Monday, February 25, 2013 8:45 AM

To: McPhie, David LDB:EX

Subject: RE: Beverage Alcohol Container Handling Fees

Any idea why Encorp pays 1 cent/container more than Brewer's for similar containers (highlighted below)?

Cheers, Julia

From: McPhie, David LDB:EX

Sent: Wednesday, February 20, 2013 1:22 PM

To: Ratcliffe, Julia ENV:EX

Subject: RE: Beverage Alcohol Container Handling Fees

Sorry Julia, somebody just informed me that it is BLD fees are listed per dozen and the Encorp fees are listed per container. Here is the adjusted table:

Stewardship Agency	Container Type	Container Handling Fee
Brewers Distributor Ltd.	Refillable bottle	18 cents/dozen (1.5 cents/container)
	Aluminum	18 cents/dozen (1.5 cents/container)
Encorp Pacific (Canada)	Wine/spirits <=1L	3 cents/container
	Wine/spirits>1L	3 cents/container
	Non-refillable bottle <= 1L	2.5 cents/container
	Non-refillable bottle>1L	3 cents/container
	Plastic<=1L	3 cents/container
	Plastic>1L	3 cents/container
	Bag-in-box	7 cents/container

From: Ratcliffe, Julia ENV:EX

Sent: Tuesday, February 19, 2013 2:40 PM

To: McPhie, David LDB: EX

Subject: RE: Beverage Alcohol Container Handling Fees

David,

Thanks for this information. Do you know if these fees are per dozen containers?

Thanks again, Julia

From: McPhie, David LDB:EX

Sent: Tuesday, February 19, 2013 2:33 PM

To: Ratcliffe, Julia ENV:EX

Subject: Beverage Alcohol Container Handling Fees

Hi Julia,

As requested, see the rates below.

Beverage Alcohol Container Handling Fees As of February 19, 2013

Stewardship Agency	Container Type	Container Handling Fee
Brewers Distributor Ltd.	Refillablebottle	18 cents
	Aluminum	18 cents
Encorp Pacific (Canada)	Wine/spirits <=1L	3 cents
	Wine/spirits >1L	3 cents
	Non-refillable bottle <= 1L	2.5 cents
	Non-refillable bottle>1L	3 cents
	Plastic<=1L	3 cents
	Plastic>1L	3 cents
	Bag-in-box	7 cents

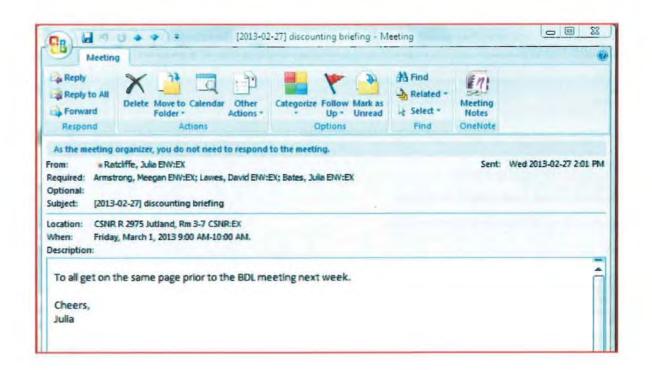
#### Dave

#### David McPhie

Manager of Environmental Initiatives
British Columbia Liquor Distribution Branch
Phone: 604-252-3490 | Cell 8.17

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#### Dunn, Paula ENV:EX

From: Ratcliffe, Julia ENV:EX

Sent: Wednesday, February 27, 2013 2:30 PM

To: Armstrong, Meegan ENV:EX; Lawes, David ENV:EX Subject: FW: Beverage Alcohol Container Handling Fees

FYI - this is the free ridership issue (i.e. not necessarily the discounting issue)

From: McPhie, David LDB:EX

Sent: Monday, February 25, 2013 9:11 AM

To: Ratcliffe, Julia ENV:EX

Subject: RE: Beverage Alcohol Container Handling Fees

Not sure. You'll have to follow up with Encorp on that one.

Dave

From: Ratcliffe, Julia ENV:EX

Sent: Monday, February 25, 2013 8:45 AM

To: McPhie, David LDB:EX

Subject: RE: Beverage Alcohol Container Handling Fees

Any idea why Encorp pays 1 cent/container more than Brewer's for similar containers (highlighted below)?

Cheers, Julia

From: McPhie, David LDB:EX

Sent: Wednesday, February 20, 2013 1:22 PM

To: Ratcliffe, Julia ENV:EX

Subject: RE: Beverage Alcohol Container Handling Fees

Sorry Julia, somebody just informed me that it is BLD fees are listed per dozen and the Encorp fees are listed per container. Here is the adjusted table:

Stewardship Agency	Container Type	Container Handling Fee
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	Aluminum	18 cents/dozen (1.5 cents/container)
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		3 cents/container
		2.5 cents/container
	Non-refillable bottle >1L	3 cents/container
	Plastic <=1L	3 cents/container
	Plastic >1L	3 cents/container
	Bag-in-box	7 cents/container

From: Ratcliffe, Julia ENV:EX

Sent: Tuesday, February 19, 2013 2:40 PM

To: McPhie, David LDB:EX

Subject: RE: Beverage Alcohol Container Handling Fees

Thanks for this information. Do you know if these fees are per dozen containers?

Thanks again, Julia

From: McPhie, David LDB:EX

Sent: Tuesday, February 19, 2013 2:33 PM

To: Ratcliffe, Julia ENV:EX

Subject: Beverage Alcohol Container Handling Fees

Hi Julia,

As requested, see the rates below.

#### **Beverage Alcohol Container Handling Fees**

As of February 19, 2013

Stewardship Agency	Container Type	Container Handling Fee
Brewers Distributor Ltd.	Refillable bottle	18 cents
	Aluminum	18 cents
Encorp Pacific (Canada)	Wine/spirits <=1L	3 cents
	Wine/spirits >1L	3 cents
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	Non-refillable bottle >1L	3 cents
	Plastic <=1L	3 cents
	Plastic >1L	3 cents
	Bag-in-box	7 cents

Dave

#### David McPhie

Manager of Environmental Initiatives
British Columbia Liquor Distribution Branch
Phone: 604-252-3490 | Cell s.17

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From:

Sandy Sigmund <sandy@encorpinc.com>

Sent:

Wednesday, March 6, 2013 2:46 PM

To:

Ratcliffe, Julia ENV:EX

Subject:

RE: Non-financial audit report

Attachments:

MoE Spcified Procedures Report.pdf

Julia:

Please find attached the electronic copy as requested. Let me know if you require any further information Regards,

Sandy Sigmund
Vice President, Development & CMO
Encorp Pacific Canada
sandy@encorpinc.com
604-473-2406

www.return-it.ca Follow us on Twitter Follow us on Facebook

From: Ratcliffe, Julia ENV:EX [mailto:Julia.Ratcliffe@gov.bc.ca]

Sent: Wednesday, March 06, 2013 11:44 AM

To: Sandy Sigmund

Subject: Non-financial audit report

Hi Sandy,

Could you please send me an electronic copy of Encorp's 2011 non-financial audit report? I seem to only have a hardcopy on-hand.

Thanks, Julia

### 2013-03-12 RE: Bev Con

Subject	RE: Bev Con
From	Ratcliffe, Julia ENV:EX
To	Armstrong, Meegan ENV:EX
Sent	Tuesday, March 12, 2013 8:44 AM

I haven't heard from him, and yes it's been updated. I added the following at the end: Next Steps:

s.13

- Staff met with BDL at their Vancouver office on March 5, 2013, to discuss the issue.
- BDL indicated they will provide Ministry staff with options for moving forward within the next week.

----Original Message—-From: Armstrong, Meegan ENV:EX Sent: Tuesday, March 12, 2013 8:09 AM To: Ratcliffe, Julia ENV:EX Subject: Bev Con

HiJR,

Have not heard back from Brian. If you haven't had a chance to update BN I suggest you do that today. Meegan Armstrong
Sent from Blackberry

#### Bates, Julia ENV:EX

From: Zeiler-Kligman, Brian [bz-k@nationalbrewers.ca]

Sent: Wednesday, March 13, 2013 1:26 PM

To: Armstrong, Meegan ENV:EX
Cc: Ratcliffe, Julia ENV:EX; Lawes, David ENV:EX; Cox, Bryan XT:Newton, Jeff LCLB:IN

Subject: RE

#### Good afternoon Meegan:

My apologies if there was some confusion regarding follow-up. Since David followed up directly with Bryan and didn't express concerns about the timelines indicated during that conversation, it was my understanding that this timing issue had been dealt with.

As Bryan conveyed to David, we will get back in touch with you shortly. As I'm sure you can appreciate, to provide a thought-out and realistic response will require a few days' worth of internal discussions. Unfortunately, this week is March Break in Ontario, so it is proving difficult to consult all of the relevant people. I expect to be in touch with you next week regarding a plan of action. If this timeline presents any issues, please don't hesitate to contact me.

Kind regards, Brian

Brian Zeiler-Kligman, M.A., LL.B.

905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

----Original Message-----

From: Armstrong, Meegan ENV:EX [mailto:Meegan.Armstrong@gov.bc.ca]

Sent: March 11, 2013 3:10 PM To: Zeiler-Kligman, Brian

Cc: Ratcliffe, Julia ENV:EX; Lawes, David ENV:EX

Subject:

Good Afternoon Brian,

Thank you for meeting with MoE staff last Tuesday to discuss the potential non-compliance issue with BDL's stewardship program. I believe we agreed, as the meeting wrapped-up, that you would be in touch with MoE by the end of last week about scheduling another meeting (by phone or in-person) during the week of the March 11th to discuss DBL's proposed plan of action regarding the issue raised.

Although I am not in the office today, you can reach me on my cell to discuss: \$.17

C. Meegan Armstrong | Project Manager - Industry Product Stewardship | Environmental Quality Branch | Ministry of Environment 3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1 T: 250.387.9944

#### 2013-03-27 Pre-audit report evaluation

Subject	Pre-audit report evaluation
From	Woodhouse, Christine A ENV:EX
То	'Rosati, Tony'
Сс	Ratcliffe, Julia ENV:EX
Sent	Wednesday, March 27, 2013 4:48 PM
Attachments	FOE
	BDL
	Evaluation

#### Hi Tony,

Please find attached the evaluation of your pre-audit report. The attached pdf summarizes the evaluation of the pre-audit information submitted, and documents our understanding of the information provided. Where information was considered unclear or incomplete this has been indicated.

The left-hand column in the evaluation describes the items that a pre-audit would usually include. The comments in the right-hand column provide feedback about your pre-audit. Stewardship programs should continue to work with their auditor to address the items identified as missing or incomplete under Materials End Fate, as well as the Overall Evaluation Comments at the end of the form.

Many of the pre-audit reports suggested that stewards had not used the exercise as intended to adequately prepare for the full audit of 2014 product management data. It is the program's responsibility to be ready to collect 2014 data effectively beginning January 1, 2014, such that an audit opinion regarding 2014 product management can be provided with a reasonable level of assurance.

Also, for those who included collection facilities and product sold and collected in the pre-audit, please note that a reasonable level of assurance on collection facilities and product sold and collected is required for 2012 data, due with annual reports submitted July 1, 2013, as per the implementation schedule at:

http://www.env.gov.bc.ca/epd/recycling/guide/pdf/third\_party\_assurance\_requirements\_implementation\_schedule\_2012.pdf

#### Recommended next steps:

- Share the evaluation with your auditor and discuss how to address items identified as missing or incomplete.
- 2. Tell me when, between April 3 and 19, you and your auditor would be available for a teleconference with Chris Ridley-Thomas from KPMG and your ministry file lead. The purpose of the call will be to discuss the feedback provided and how the stewardship program will continue to prepare for the full audit of 2014 product management data.

Also, I have a meeting scheduled with Brian Zeiler-Kligman on April 11- please let me know if you would also like to use this timeslot for the conversation with Chris Ridley-Thomas. It would be good to coordinate this now that you have your evaluation. Thanks.

#### Regards,

Christine Woodhouse, M.A.Sc., P.Eng.
Environmental Management Officer
Environmental Protection Division
British Columbia Ministry of Environment
P 250-387-7950; F 250-356-7197; <a href="mailto:christine.Woodhouse@gov.bc.ca">christine.Woodhouse@gov.bc.ca</a>

## **Evaluation of Pre-Audit Report**

Note: The pre-audit was required to address end fate of collected material. The assessment below also covers product sold, product collected and recovery rate simply because a number of stewards also chose to include some of this information in their pre-audit reports. While the information was not required, it has been evaluated where provided. Those stewards that did not provide pre-audit information on product sold, product collected and recovery rate have no requirement to do so to meet their pre-audit requirements.

Version # / Date: January 31, 2013	
Number and Location of collection facilities	
Were criteria developed for this topic?	Not included in report
Are they clear?	N/A – not included
Could you consistently assess them as part of an audit?	N/A – not included
Do they lead to the base data being auditable?	N/A - not included
Is the base data reliable?	N/A – not included
Product Sold and Collected and Recovery Rate	
Were criteria developed for this topic?	Not included in report
Are they clear?	N/A – not included
Could you consistently assess them as part of an audit?	N/A – not included
Do they lead to the base data being auditable?	N/A – not included
Is the base data reliable?	N/A – not included
Materials End Fate	
Were criteria developed for this topic?	Yes
Are they clear?	Yes
Could you consistently assess them as part of an audit?	Yes
Do they lead to the base data being auditable?	All processes related to end fate managed by brewers have evaluation criteria based on the receipt of auditable data but at the present time:  The data collection process has not been established and  BDL is seeking discussion with the Ministry regarding the use of self-reported data as it believes there may be infringements of competition law.
Is the base data reliable?	See above
Does the process lead to clarity as to whether or not product recycling is occurring.	Yes in general. A question is raised as to what is considered "recycling" in relation to glass sent for recycling.

Stewardship Plan Targets	
Were criteria developed for this topic?	Nothing disclosed (targets relate to returns rather than end fate so there are no applicable targets)
Are they clear?	NA.
Could you consistently assess them as part of an audit?	NA
Do they lead to the base data being auditable?	NA
Is the base data reliable?	NA.
Auditor Comments on Gaps	
Has the auditor provided comments on current status in relation to the evaluation criteria?	Yes.  Key issue identified has been mentioned above.
Are the comments clear?	Yes
Are the comments consistent with the intent of the Program?	Yes
Action Plans	
Have action plans been developed?	Yes
Are they clear?	Yes
Is a timeframe for completion identified	Yes
Are they designed to achieve compliance in line with the reporting requirements?	Yes

## **Overall Evaluation Comments**

Overall BDL has been able to address the end fate management of all bottles and cans collected within the evaluation criteria. Further, it has a complete process for material dealt with by BDL directly. However, the existence of auditable information has not yet been determined for those products returned directly to Brewers due to sensitive, competitive information.

BDL has indicated a need to work with MOE to find a solution that is acceptable in relation to auditability of information from brewers.

## [2013-04-05] RE: Follow-up from our March 5th meeting

Subject	RE: Follow-up from our March 5th meeting
From	Armstrong, Meegan ENV:EX
To	'Zeiler-Kligman, Brian'
Cc	Lawes, David ENV:EX; 'Cox, Bryan'; XT:Newton, Jeff LCLB:IN; Ratcliffe, Julia ENV:EX
Sent	Friday, April 5, 2013 4:15 PM

## Good afternoon Brian,

I understand David Lawes and Jeff Newton spoke earlier this week and that Jeff indicated that you will be arranging a conference call or meeting with MoE staff to discuss BDL's plan to resolve the discounting issue s.22 so please contact her later next week to determine a mutually convenient time for the call or meeting (preferably the week of April 15th).

In the interim, for purposes of clarification, I have a few questions regarding your March 22, 2013 e-mail. Firstly (paragraph 4), you suggest that discounted containers "flow" into the BDL system. Can you explain how this happens and the role of the BDL contracted agents or hub/satellite depots? Secondly (paragraph 8), you indicate that discounting deposits is not a formalized part of the BDL plan. However, on page 8 of BDL's 2011 Annual Report, BDL identifies 178 private bottle depots as part of its collection network. Does BDL have mechanisms to collect beverage containers from these depots and are all of these depots part of BDL's system?

#### Regards,

C. Meegan Armstrong T; 250.387.9944

----Original Message ----

From: Zeiler-Kligman, Brian [mailto:bz-k@nationalbrewers.ca]

Sent: Friday, March 22, 2013 2:01 PM

To: Armstrong, Meegan ENV:EX; Ratcliffe, Julia ENV:EX
Cc: Lawes, David ENV:EX; Cox, Bryan; XT: Newton, Jeff LCLB:IN

Subject: RE: Follow-up from our March 5th meeting

## Dear Meegan:

As promised in our correspondence, what follows is our response to our meeting in Vancouver on March 5. Below, we provide an update on the actions BDL is undertaking to address the issues raised during that meeting. However, before detailing these actions, we believe it is necessary that we first address the content of Julia Ratcliffe's e-mail of March 20, 2013. That e-mail incorrectly characterizes statements made by myself and Bryan Cox at our March 5th meeting concerning the issue of discounted deposits and incorrectly infers that the deposit discounting practice is an explicit part of the design of the BDL stewardship plan, which may result in the BDL stewardship plan being declared non-compliant with section 5(1) of the Recycling Regulation. We would like to first address these inaccuracies and clarify our position on both issues. I need to respond to a number of the inaccuracies and implicit threats in the e-mail sent by Julia Ratcliffe on March 20.

## Issue of Discounting

On the issue of discounted deposits, Ms. Ratcliffe's e-mail states that we acknowledged that the issue of discounted deposits has not been adequately addressed. At no time did we ever make such statements or provide such an acknowledgement. Rather, as outlined below under "existing coverage," we indicated that we believed (and evidence showed) that BDL had in fact taken a number of significant Page 1800 MOE-2014-00071, Part 2

address this issue.

#### **BDL's Plan and Discounted Containers**

Ms. Ratcliffe's e-mail also makes two factually incorrect statements.

- 1.) The e-mail states: "BDL's stewardship plan lays out a collection system that provides mechanisms for collecting discounted beverage containers and BDL's recovery rates profit from this collection system".
- 2.) It then goes on to claim: "...BDL enables the discounting activity by contracting with agents who collect containers from collection facilities that discount refunds."

Combined, these statements directly infer that the BDL stewardship plan has been explicitly designed to support and encourage the practice of deposit discounting. These statements/inferences are factually unsubstantiated and are patently false. Nowhere does the BDL stewardship plan "lay out" or "provide mechanisms" that have been designed to "enable" the practice of deposit discounting. While containers on which deposits may have been discounted by collectors unauthorized by BDL may at some point flow into the formal BDL collection system, to suggest that BDL's stewardship plan consciously and deliberately encourages the deposit discounting practice is not correct.

BDL has consistently taken the position that all businesses that collect empty beer containers from the public must refund them a full deposit (and acknowledges that the Recycling Regulation stipulates this). BDL does not condone or encourage the discounting of deposit refunds.

To this end, BDL has established an extensive collection network across BC that offers consumers many authorized return options. That being said, some unauthorized locations accept empty beer containers from consumers, often actively encouraged or forced to do so by other product stewards. BDL is not alone in having unauthorized locations accept our regulated products from consumers - to some extent effectively all stewardship programs have this issue. The difference is that BDL eventually collects the vast majority of these containers through one of our authorized channels, ensuring that these products are properly re-used or recycled (and can be confirmed in our stewardship audit), rather than sent to landfill.

## Recycling Regulation Compliance

Ms. Ratcliffe's e-mail also states that: "Given the mechanisms of the collection system described above, BDL could potentially be in non-compliance with Section 5(1) of the Recycling Regulation". Section 5(1)(i) of the Recycling regulation, as Ms. Ratcliffe's e-mail notes, requires that a stewardship plan "adequately provide for the producer paying the costs of collecting and managing products within the product category covered by the plan...".

Once again, these words suggest that the practice of discounting deposits is a contemplated element of BDL's stewardship plan and that BDL is using "mechanisms" to encourage their use or is consciously operating its plan to enable their use so as to avoid the regulatory requirement that the "producer pay for the costs of collecting and managing its products." We flatly reject this assertion. As noted above, the practice of discounting deposits is not and never has been a formalized part of the BDL stewardship plan. The practice of discounting deposits is being conducted by parties that BDL has no business relationship with and over whom we have no direct power or control. The practice is not part of the BDL plan.

As discussed at our March 5th meeting, BDL's program is among the only stewardship programs approved by the MoE that truly involves the internalization of the cost of recycling by the producer. Because BDL's program operates without eco-fees, recycling costs are actually paid for by brewers and become an input cost of producing the product, just like labour, transportation or energy. As a result, the brewers participating in the BDL program are actually paying for the costs of collecting and managing their product, unlike producers in eco-fee based programs, where the cost is externalized to the consumer via a visible fee at the retail point sale. Under these eco-fee based programs, the true producer, as contemplated by the regulation, pays absolutely nothing. The cost of recycling the product is paid 100% by the consumer. In fact, because of the payment terms that many eco-based programs operate under, retailers are actually able to accumulate significant eco-fee revenues into their bank accounts before they have to pay them to a stewardship agency to fund the recycling program. It is this type of practice that is actually enabling some retailers to "profit" from consciously design@edge 181

"mechanisms" built into their plans.

As discussed during our March 5th meeting, the majority of BC stewardship programs charge the above referenced eco-fees, which means that, in the vast majority of MoE approved programs, it is consumers, rather than producers, that are "paying the costs of collecting and managing products within the product category."

Given the operation of these systems, we fail to understand how programs that are annually charging BC consumers well over \$120M in eco-fees can be considered in compliance with Section 5(1)(i) of the Recycling Regulation, but BDL's true producer pay program, due to a deposit discounting practice occurring outside its plan, may be considered non-compliant.

Furthermore, as discussed in our March 5th meeting, BDL offers consumers reasonable and free access to container collection facilities. As detailed in our stewardship plan and annual reports, BDL has an extensive network of authorized return locations (and proportionally better coverage than Encorp Pacific). At these locations, consumers are able to drop off their containers and receive a full refund without problem. And because BDL does not charge an up-front eco-fee or container recycling fee to the consumer for the ability to recycle and manage the container, BDL could easily be considered among the only stewardship plans that actually offers free access to collection facilities.

To suggest that BC's stewardship program for non-beer beverage containers offers "free and easy access" to consumers, while charging them over \$208M in eco-fees between 2007 and 2011 alone, is, quite simply, a strange perversion of reality.

All of this being said, BDL remains, as always, committed to working with its program stakeholders and the Ministry on any and all issues identified with our program. In that spirit, we outline below the additional steps that BDL will be undertaking to further improve its position as the longest standing and best performing stewardship program in the province.

#### Existing coverage

To begin with, we wish to highlight that BDL continually works to expand its collection network, providing consumers with a high level of free access and convenient options where they can redeem their containers and obtain their full deposit refund. As a result of this work, BDL's network of collection partners has doubled over the course of our current stewardship plan (i.e. since 2009). The BDL program now offers proportionally better authorized coverage than the other steward for Schedule 1 products. As I will explain further, we are also reviewing this coverage to determine how to most effectively continue this expansion.

BDLis proud to offer a highly-effective and cost-efficient stewardship program to BC residents. It is a plan that operated for decades on a voluntary basis before any regulatory requirements existed. And it is a plan that has consistently made performance commitments that go beyond the regulatory requirements that exist today. Importantly, because the BDL program eschews eco-fees in favour of having the true producer pay the cost of recycling, BDL is able to spare BC consumers an annual recycling fee in excess of \$32M (if BDL were to charge consumers an eco-fee comparable to that levied today on consumers of non-beer beverage containers).

## Current Initiatives to Expand Access and Increase Consumer Awareness

BDL is currently working to improve consumer access to return-to-retail locations. We have recently renegotiated our partnership with the Alliance of Beverage Licensees of BC (ABLE BC), whereby BDL has an open offer of a collection contract with all private retail liquor stores (who agree to accept unlimited returns of beer containers in the contract). In the coming weeks, ABLE BC will be communicating the relaunch to all retail liquor store owners across BC.

Closely tied to this initiative are enhanced public communications about authorized return locations. Our website, <a href="www.EnviroBeerBC.com">www.EnviroBeerBC.com</a>, is being revamped - we are working on finishing designs for the website. This revamped website will be mobile-friendly and will have a number of other features to ensure it is optimized in search results. One of the prominent features on the website will be a return location locator, where consumers can input their postal code and the nearest authorized return locations will come up.

Page 182 MOE-2014-00071, Part 2 At the same time, we are providing RCBC with an updated list of authorized return locations to ensure that these come up when people call the Recycling Hotline or use the Recyclepedia (at present, no retail return locations come up as results even though retail locations are legally required to operate as return facilities for all the beverage containers they sell.

Also tied to these public education and awareness efforts are new signs to be given to all private retail stores with whom we have a contract to collect our containers. These will go in the front window of these stores to alert consumers that they may return an unlimited number of beer containers at those locations for a full deposit refund.

Finally, with respect to public education and awareness, BDL is committing to undertake a consumer survey regarding container and secondary packaging returns. This survey will be completed by the end of the calendar year and will help to inform the commitments BDL looks to undertake in its next stewardship plan.

#### Additional Initiatives

In addition to these renewed efforts to expanded unlimited beer return retail locations and enhanced public awareness efforts, BDL is also reviewing its collection network and the coverage across the province. As approved by the Ministry, our stewardship plan puts a premium on return-to-retail locations, with independent bottle depots serving to complement this retail return network. BDL seeks to ensure that between government liquor stores, unlimited return private retail stores and authorized depots, consumers in all parts of the province have adequate free access to collection facilities. To this end, BDL will be updating its GIS data on its collection network by the end of Q3 2013.

This data, coupled with our general returns data and the results of the consumer survey will enable BDL to identify where our program coverage needs to expand. We will look to increase our authorized coverage in those areas.

Based on all of the above, I believe you will agree that BDL has made and continues to make significant efforts to ensure that BC consumers have many convenient options available to them to properly recyde and reuse their beer containers. Our leading recovery rate also attests to this.

Sincerely, Brian

Brian Zeiler-Kligman, M.A., LL.B. 905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

----Original Message ----

From: Ratcliffe, Julia ENV:EX [mailto:Julia.Ratcliffe@gov.bc.ca]

Sent: March 20, 2013 12:33 PM To: Zeiler-Kligman, Brian

Cc: Lawes, David ENV:EX; Cox, Bryan; Newton, Jeff; Armstrong, Meegan ENV:EX

Subject: RE: Follow-up from our March 5th meeting

#### Good morning Brian,

I appreciate you taking the time to meet with us on March 5, 2013, to discuss BDL's collection system for redeeming beverage containers and the on-going issue of discounted beverage container refunds. As a follow-up to our meeting, I am writing to you to help clarify the issue, review our discussion and solidify the next steps.

As we brought up at the meeting, container redemption facilities that do not provide full deposit refunds (i.e. discounted refunds) for the redemption of beverage containers has been an issue acknowledged by both BDL and the Ministry since the development of the BDL stewardship plan. At the approval of the stewardship plan, BDL agreed to try and address the issue by increasing the agents are

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container redemption facilities and committing to a strong education and awareness campaign. At our meeting we brought to your attention that the issue of discounting refunds continues and as such has not been adequately addressed, to which you acknowledged.

BDL's current stewardship plan lays out a collection system that provides mechanisms for collecting discounted beverage containers, and BDL's recovery rates profit from this collection system. At the meeting you recognized that although BDL does not hold official contracts allowing collection facilities to discount beverage container refunds, BDL enables the discounting activity by contracting with agents who collect containers from collection facilities that discount refunds.

Section 5(1) of the Recycling Regulation requires that BDL's stewardship plan adequately provides for the producer collecting and paying the costs of collecting and managing products, as well as reasonable and free access to collection facilities. Given the mechanisms of the collection system as described above, BDL could potentially be in non-compliance with Section 5(1) of the Recycling Regulation.

I hope the above information helps answer any questions you may have regarding the issue of discounted beverage container refunds. We look forward to receiving BDL's plan of action for addressing the issue of discounted refunds, which you proposed to get back to us with this week.

Regards, Julia

Julia Ratcliffe, A.Ag. Environmental Management Analyst Waste Prevention, BC Ministry of Environment ph: 250.387.9454 f: 250.356.7197

----Original Message ---

From: Zeiler-Kligman, Brian [mailto:bz-k@nationalbrewers.ca]

Sent: Wednesday, March 13, 2013 1:26 PM

To: Armstrong, Meegan ENV:EX

Cc: Ratcliffe, Julia ENV:EX; Lawes, David ENV:EX; Cox, Bryan; XT:Newton, JeffLCLB:IN

Subject: RE:

## Good afternoon Meegan:

My apologies if there was some confusion regarding follow-up. Since David followed up directly with Bryan and didn't express concerns about the timelines indicated during that conversation, it was my understanding that this timing issue had been dealt with.

As Bryan conveyed to David, we will get back in touch with you shortly. As I'm sure you can appreciate, to provide a thought-out and realistic response will require a few days' worth of internal discussions. Unfortunately, this week is March Break in Ontario, so it is proving difficult to consult all of the relevant people. I expect to be in touch with you next week regarding a plan of action. If this timeline presents any issues, please don't hesitate to contact me.

Kind regards, Brian

Brian Zeiler-Kligman, M.A., LL.B. 905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy From: Armstrong, Meegan ENV:EX [mailto:Meegan.Armstrong@gov.bc.ca]
Sent: March 11, 2013 3:10 PM
To: Zeiler-Kligman, Brian
Cc: Ratcliffe, Julia ENV:EX; Lawes, David ENV:EX
Subject:

## Good Afternoon Brian,

Thank you for meeting with MoE staff last Tuesday to discuss the potential non-compliance issue with BDL's stewardship program. I believe we agreed, as the meeting wrapped-up, that you would be in touch with MoE by the end of last week about scheduling another meeting (by phone or in-person) during the week of the March 11th to discuss DBL's proposed plan of action regarding the issue raised. Although I am not In the office today, you can reach me on my cell to discus:

S.17

C. Meegan Armstrong | Project Manager - Industry Product Stewardship | Environmental Quality Branch | Ministry of Environment 3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1

T: 250.387.9944



## Dunn, Paula ENV:EX

From: Bates, Julia ENV:EX

Sent: Tuesday, April 16, 2013 4:28 PM

To: Ratcliffe, Julia ENV:EX

Subject: FW: Question: Status of BDL's PPP Stewardship Plan

Given the overlap in our files, sharing as FYI.

From: Bates, Julia ENV:EX

Sent: Tuesday, April 16, 2013 4:27 PM

To: McPhie, David LDB:EX

Subject: RE: Question: Status of BDL's PPP Stewardship Plan

Hi David.

Thank you for your email. My apologies for the delay in responding.

You are correct in that, MMBC's plan was resubmitted April 8<sup>th</sup> and approved by the Ministry April 15<sup>th</sup>.

BDL's plan is currently being reviewed against Section 5 of the Recycling Regulation, with a decision pending.

Given the timing, I write the following with the hope that the BC Liquor Stores have taken the concerns you've outlined in your email forward directly to BDL (either during the consultation process or following). However, if that is not the case if you have not already done so, my suggestion would be to continue to work with BDL where possible to address items of concern surrounding the plan.

Please don't hesitate to contact me should you require further information on the stewardship plan approval process or if you would like to further discuss the concerns outlined below I am in the office Monday-Friday. I would welcome further discussion, please contact me at your convenience.

Kind regards,

#### Julia Bates

A/ Senior Policy Advisor Environmental Quality Branch B.C. Ministry of Environment T: 250.356.9089 | F: 250.356-7197

From: McPhie, David LDB:EX

Sent: Tuesday, April 16, 2013 4:10 PM

To: Bates, Julia ENV:EX

Subject: RE: Question: Status of BDL's PPP Stewardship Plan

Hi Julia,

I just heard that MMBC's Stewardship Plan was approved on April 9th.

What is the status of BDL's Stewardship Plan?

With minimal consultation, BDL named BC Liquor Stores as a pick-up location for their PPP. This presents from potential problems for us and customers, so we would like to be kept in the loop on how things proceed.

Regards,

### Dave

## David McPhie

Manager of Environmental Initiatives
British Columbia Liquor Distribution Branch
Phone: 604-252-3490 | Cell: \$17

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From: Ratcliffe, Julia ENV:EX

Sent: Thursday, March 21, 2013 7:53 AM

To: McPhie, David LDB:EX Cc: Bates, Julia ENV:EX

Subject: RE: Question: Status of BDL's PPP Stewardship Plan

Hi David,

My colleague, Julia Bates, is overseeing the PPP stewardship plan(s) approval process. She'll be able to give you an update.

Julia

From: McPhie, David LDB:EX

Sent: Wednesday, March 20, 2013 5:14 PM

To: Ratcliffe, Julia ENV:EX

Subject: Question: Status of BDL's PPP Stewardship Plan

Hi Julia,

Could you please fill me in on what the status is of Brewers Distributor Ltd.'s PPP Stewardship Plan is? Have you asked them to make revisions, etc.?

Is there a target date by which the MOE plans to approve the two PPP Stewardship Plans?

Kind regards,

#### David McPhie

Manager of Environmental Initiatives British Columbia Liquor Distribution Branch Phone: 604-252-3490 | Cell s.17

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## Armstrong, Meegan ENV:EX

From: Sent:

Armstrong, Meegan ENV:EX Tuesday, April 16, 2013 2:00 PM 'Zeiler-Kligman, Brian'

To: Cc:

Ratcliffe, Julia ENV:EX

Subject: voice mail message last week

Brian,

You left a voice mail for me last week, but unfortunately like us to give you a call?

s.22

Vould you still

C. Meegan Armstrong | Project Manager - Industry Product Stewardship | Environmental Quality Branch | Ministry of Environment 3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1 T; 250.387.9944



## MINISTRY OF ENVIRONMENT

## TELEPHONE RESPONSE RECORD

CLIFF Reference #: 50400-25/BDL

Date of Telephone Call: April 22, 2013

Time of Call: 10:30am

Recipient of Telephone Call: Brian Zeiler-Kligman

Brewers Distributors Limited (BDL)

## CALL DETAILS:

 MOE discussed the BDL plan to address discounting, which was previously committed to during a phone conversation between BDL (Jeff Newton) and MOE (David Lawes).

 MOE asked for BDL to respond to clarification questions asked previously (April 5<sup>th</sup>, 2013) regarding how beverage containers enter BDL's collection system.

 BDL agreed to respond to questions and "create detailed bullets" that outline their plan.

CONTACT NAME(s): Julia Ratcliffe & Meegan Armstrong

CONTACT NUMBER: 250 387-9454/ 250 387-9944

DIVISION: EPD

Follow-Up Letter Required? No

## Dunn, Paula ENV:EX

From:

Zeiler-Kligman, Brian [bz-k@nationalbrewers.ca]

Sent: To: Monday, April 22, 2013 8:44 AM

Cc:

Ratcliffe, Julia ENV:EX Armstrong, Meegan ENV:EX

Subject:

RE: planning next steps

Sure Speak with you then.

## Brian Zeiler-Kligman, M.A., LL.B.

905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

From: Ratcliffe, Julia ENV:EX [mailto:Julia.Ratcliffe@gov.bc.ca]

Sent: April 22, 2013 11:43 AM To: Zeiler-Kligman, Brian Cc: Armstrong, Meegan ENV:EX Subject: RE: planning next steps

Good morning Brian,

We'd like to call you today at 9:30PST. Hope that works for you.

Julia

----Original Appointment-----

From: Zeiler-Kligman, Brian [mailto:bz-k@nationalbrewers.ca]

Sent: Sunday, April 21, 2013 5:36 PM

To: Ratcliffe, Julia ENV:EX
Cc: Armstrong, Meegan ENV:EX
Subject: Declined: planning next steps

When: Monday, April 22, 2013 10:30 AM-11:00 AM (GMT-08:00) Pacific Time (US & Canada).

Where: call

Hi Julia and Meegan:

I would only be available for a call before 10 am PST on Monday. Otherwise, I could speak before 10 am PST on Wednesday or Thursday afternoon.

Brian

## Dunn, Paula ENV:EX

From: Zeiler-Kligman, Brian [bz-k@nationalbrewers.ca]

Sent: Wednesday, April 24, 2013 9:25 AM

To: Armstrong, Meegan ENV:EX; Ratcliffe, Julia ENV:EX

Cc: Cox. Bryan; XT:Newton, Jeff LCLB:IN Subject: BDL Sch. 1 program commitments

Attachments: BC - Program Coverage - outline of BDL commitments (April 2013).docx

Follow Up Flag: Follow up Flag Status: Completed

## Good afternoon Meegan and Julia:

Good to speak with both of you on Monday. Glad we were finally able to arrange it after a number of attempts. As discussed, attached is a further (and hopefully clearer) explanation of the commitments we are undertaking with respect to the program issues you have raised. I will be in touch in the coming days to provide clarification on the two questions you raised in your April 5<sup>th</sup> e-mail.

Kind regards, Brian



Brian Zeiler-Kligman, M.A., LL.B.

Director, Sustainability Canada's National Brewers

Direct: 905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

## 2013-04-29 RE: For discussion - encorp's collection network

Subject	RE: For discussion - encorp's collection network
From	Smirl, Lyn ENV:EX
To	Paul, Bob A ENV:EX; Ratcliffe, Julia ENV:EX; Bates, Julia ENV:EX
Sent	Monday, April 29, 2013 12:48 PM
Attachments	Report to Director 2  Stewardship Plan Revie

s.13

I have LOTS of comments scribbled on my printed copy of the plan... and I should really go through the "Plan Review" template & give it to you... but I may not get that done for a while I I'm not sure if Bob knows about that template (attached), but he would probably be an excellent second set of eyes to review the plan before it goes up the chain.

Cheers

From: Paul, Bob A ENV:EX

Sent: Friday, April 26, 2013 11:09 AM

To: Ratcliffe, Julia ENV:EX; Bates, Julia ENV:EX; Smirl, Lyn ENV:EX

Subject: RE: For discussion - encorp's collection network

s.13

## Also, the following sentence highlighted does not read well!

Wholesale Depots and Retailers – In certain circumstances, primarily larger urban areas, Encorp authorized depots provide collection and sorting services for smaller retailers and IC&I accounts. Service areas are established by the depots independently of Encorp and, in some cases, fees for collections are charged. Volumes collected in this manner are not identified separately but are included in the overall depot collections. Encorp does not pay an extra fee to depots providing this type of service save as explained in the Mobile and Commercial Collectors section above.

Bob Paul Environmental Management Analyst Ministry of Environment

Ph: 250 387-9774 Em: bob.paul@gov.bc.ca Web: http://www.gov.bc.ca/env

From: Ratcliffe, Julia ENV:EX
Sent: Friday, April 26, 2013 10:41 AM
To: Paul, Bob A ENV:EX; Bates, Julia ENV:EX; Smirl, Lyn ENV:EX

Subject: For discussion - encorp's collection network

The collection network Encorp lays out (for non-depot geturns) in their new plan

3.13

if you have a couple minutes - Just read pg 11, sections "Mobile and commercial collectors & return-to-retail" (including the bit about wholesale depots).

http://www.return-it.ca/stewardshipplan/download/

Thanks, JR



Discounting and encor...

## Dunn, Paula ENV:EX

From: Ratcliffe, Julia ENV:EX

Sent: Tuesday, April 30, 2013 2:23 PM
To: Armstrong, Meegan ENV:EX

Subject: Discounting and encorp's new plan/collection network

FYI Meegan -

s.13

Wholesale Depots and Retailers – In certain circumstances, primarily larger urban areas, Encorp authorized depots provide collection and sorting services for smaller retailers and IC&I accounts. Service areas are established by the depots independently of Encorp and, in some cases, fees for collections are charged. Volumes collected in this manner are not identified separately but are included in the overall depot collections. Encorp does not pay an extra fee to depots providing this type of service save as explained in the Mobile and Commercial Collectors section above.

s.13

From: Smirl, Lyn ENV:EX

Sent: Monday, April 29, 2013 12:49 PM

To: Paul, Bob A ENV:EX; Ratcliffe, Julia ENV:EX; Bates, Julia ENV:EX

Subject: RE: For discussion - encorp's collection network

s.13

I have LOTS of comments scribbled on my printed copy of the plan... and I should really go through the "Plan Review" template & give it to you... but I may not get that done for a while! I'm not sure if Bob knows about that template (attached), but he would probably be an excellent second set of eyes to review the plan before it goes up the chain.

Cheers

From: Paul, Bob A ENV:EX

Sent: Friday, April 26, 2013 11:09 AM

To: Ratcliffe, Julia ENV:EX; Bates, Julia ENV:EX; Smirl, Lyn ENV:EX

Subject: RE: For discussion - encorp's collection network

Hi Julia, I think Encorp can fix this issue themselves through their depot operator service contracts.

s.13

s.13

Also, the following sentence highlighted does not read well!

Wholesale Depots and Retailers – In certain circumstances, primarily larger urban areas, Encorp authorized depots provide collection and sorting services for smaller retailers and IC&I accounts.

Service areas are established by the depots independently of Encorp and, in some cases, fees for collections are charged. Volumes collected in this manner are not identified separately but are included in the overall depot collections. Encorp does not pay an extra fee to depots providing this type of service save as explained in the Mobile and Commercial Collectors section above.

Bob Paul Environmental Management Analyst Ministry of Environment

Ph: 250 387-9774

Em: bob.paul@gov.bc.ca

Web: http://www.gov.bc.ca/env

From: Ratcliffe, Julia ENV:EX

Sent: Friday, April 26, 2013 10:41 AM

To: Paul, Bob A ENV:EX; Bates, Julia ENV:EX; Smirl, Lyn ENV:EX

Subject: For discussion - encorp's collection network

The collection network Encorp lays out (for non-depot returns) in their new plan

s.13

f you have a couple

minutes - Just read pg 11, sections "Mobile and commercial collectors & return-to-retail" (including the bit about wholesale depots).

http://www.return-it.ca/stewardshipplan/download/

Thanks, JR

## Bates, Julia ENV:EX

From:

Sue Maxwell

s.22

Sent:

Wednesday, May 1, 2013 9:53 AM

To:

Neil Hastie

Cc:

Ratcliffe, Julia ENV:EX

Subject:

Encorp consultation

Attachments:

Encorp plan comments May 1.docx

Follow Up Flag:

Follow up

Flag Status:

Completed

Hi Neil,

I am glad to see that Encorp is consulting on its revised plan. I wanted to submit the attached comments that can hopefully strengthen the plan and help Encorp to maintain its success to date.

Cheers,

Sue

Dear Sir or Madam,

Thank you for the opportunity to comment on Encorp's Draft Stewardship Plan 2014-2018. As one of the first established EPR programs in BC, Encorp has shown great leadership in many aspects and continues to have good return rates. However, I think that with that depth of experience and accumulated knowledge, Encorp can and should strive to meet or exceed the stipulations of the Recycling Regulation. Some suggestions on how to do this follow:

- 1. Program Principles. Some amendment of these principles would assist the program in meeting its mandate from the Recycling Regulation.
  - a. The program is meant to reduce the environmental impact of its products, not merely divert products from landfill and incineration.
  - The goal should not be about having the lowest possible impact on consumer prices, but rather to deliver a cost-effective program that achieves its environmental objectives.
  - c. Each container type should not cross-subsidize another but only when unredeemed deposits are not factored in. Otherwise the types of containers with low return rates are in fact rewarded for this. In fact, types of containers with low return rates should be penalized with a higher cost. Similarly, the fees should be set not only to recover costs but also to shift use of materials from low refillability/recyclability/return rate types to ones that achieve higher outcomes.
  - d. Rather than "find useable end products which maximize the value of recovered materials", the program should work to ensure high quality recyclable materials are used to maximize the use of these materials again in as high a quality product as possible.
  - In addition to transparency, the program should also work for accountability (to the citizens of BC).
- 2. Targets. The Recycling Regulation states that "the plan will achieve, or is capable of achieving within a reasonable time, (i) a 75% recovery rate or another recovery rate established by the director, (A) for each subcategory listed in section 4 of Schedule 1 for the beverage container product category". As the beverage container program is well-established, there is no reason that each subcategory target should not be 75% at a minimum and even higher for those that have already met that. For example, the targets could be 95% for glass, 80% for plastic, 85% for aluminum, 75% for polycoast and other.
- Collection rates. Encorp is to be congratulated on the high collection rates for many types of containers. However, more can still be done, particularly for underachieving types of containers such as polycoat and others.
- 4. Return to Retail. The plan notes that this aspect is under-used and to some degree underserviced (in terms of not collecting from smaller locations). As the program is

experiencing challenges in siting depots in some locations, the Regulation mandates retailer participation and the more options a consumer has, the higher the return rates can be, the program should embrace this option, advertising it more, working with retailers to enhance the consumer experience and rewarding the retailers for their assistance. Pick up from the retail locations should be provided free of charge by the program. As more consumers are starting to bring reusable bags, the program can piggy-back on this behaviour by reminding people to bring their containers as well. The program should advocate for retailers taking back all brands and not just their own to remove a further obstacle to consumer participation.

- 5. Smaller communities and rural areas. The plan seems to view depot viability as based on this program alone where in fact, a depot that may not be viable based solely on beverage containers can be viable when it offers other services such as partnering with other programs. As all Encorp depots are independent businesses, this "siting" decision should be made by the depot with Encorp's input instead of vice versa. Rather than a commitment to the same number of depots, it may be better for the program to commit to sitting down with each Regional District to determine what optimum coverage would look like for this product, community by community. Communities without depots may be some of the ones where Return to Retail is more heavily promoted.
- Depot space. As space is a limiting factor for many depots, Encorp's intention to look at compaction is a good one.
- 7. Depot relations. The plan reads as if the depots were owned and operated by Encorp whereas most or all(?) depots are independent businesses contracted by Encorp as well as by other entities to provide services. Encorp's troubled relationship with its depot partners has impacted not only its own operations but other programs and in fact, BC's reputation on EPR. To resolve this, the program should work towards a more harmonious relationship where the depots are seen as valued partners instead of using the command and control methods of the past. One step would be to rewrite the plan to reflect this (particularly section 7.a.1). This will require some time to repair this relationship and an external third party such as a Ministry representative or mediator could be helpful.
- 8. Wholesale depots and retailers. The Regulation states that a plan "adequately provides for (i) the producer collecting and paying the costs of collecting and managing products within the product category covered by the plan, whether the products are currently or previously sold, offered for sale or distributed in British Columbia." In the case of service to smaller retail sites or other collection hubs, this does not appear to be happening. The program should review situations where fees are charged for collection service and determine if the program ought to be paying for those. The program should be providing pick up service from retailers (and paying the Mobile and Commercial Collectors to do this could be one avenue).

- Consumer awareness. Encorp is to be congratulated on its very high level of consumer awareness. As it has had an average of 99% awareness of the past 5 years, the target would be better set at 95% or over.
- 10. Milk and milk substitutes. As Encorp has been running a voluntary program for this and now these containers are regulated, Encorp should adopt these into their beverage container program (similar to how the Brewer's Distributed Program added the plastic rings and cardboard boxes) and add a deposit to them. This will be in keeping with what Encorp has been asking consumers to do and will enable Encorp to significantly increase collection rates.
- 11. Deposits. Deposits are set in the regulation as the minimum amount. Encorp should raise these deposits for their program to match inflation in order to maintain the incentive level. This is particular important as the lowest deposit if 5 cents, at a time when Canada is phasing out pennies, this shows how the deposits have not kept pace with the cost of living. Encorp should keep raising the deposit rates on the various containers until they reach the targets. Encorp should not be lobbying the provincial government to keep them low. Research shows that financial incentives need to be maintained on order for them to remain effective. By keeping the rates static, their usefulness is slowly eroded.
- 12. Unredeemed deposits. These should remain in trust for if and when these containers come back. The goal should be to reduce them to zero (i.e. 100% return). They should not be used to subsidize the costs of individual container types. Should the account grow too large, some of this money should be used to promote return rates.
- 13. Fee setting. In addition to the points made in the above recommendations, there should be a lower fee set for local refillable glass. This will encourage the use and refilling of this type of material as well as recognizing the benefits of using glass when it is refilled and circulated in a local economy.
- 14. Return of deposit. The Regulation states that the full deposit must be returned and so the plan should state that Encorp will only use depots that meet this requirement.
- 15. Management of collected materials. The Regulation states "8 (1) A producer must ensure that its redeemed containers are refilled or recycled. (2) A person must not dispose of redeemed containers in a landfill or incinerator.". The program should work to phase out low-or non-recyclable materials like polycoat, tetrapaks and "other" through working with producers and fee —setting, similar to what Multi Material BC has committed. The present plan is weak on the impact of the other layers in a polycoat container and silent on what happens to the "other" type of containers or the contamination of recycling systems generated by some of this material. The plan needs to be far more transparent on this issue.

- 16. Pollution prevention. The plan should address the additions to the container (tabs, straws, other packaging) and what will be done to encourage reduction, redesign and recycling of thee parts. Research should be conducted to see if program fees could be reduced where recycled content is used and if this is a positive step for the environment or results in a lower grade material being used. The program could also work with producers to limit the unused portions of the product (such as by designing containers where all the liquid can come out or by ensuring the availability of more reasonably sized single portion containers.
- 17. Refillables. The Regulation states that "7 (1) A seller must offer for sale or sell a beverage only in a container that can be refilled or recycled". As the program is also required to do everything at one level of the pollution prevention hierarchy before moving down to the next, it is time for Encorp to develop a system to promote and facilitate the refilling of containers and the switch to refillable containers. In this plan, Encorp should state the actions that will be taken to achieve this and a series of incremental targets for the percentage of containers that will be refilled. One initial pilot could look at wine bottles given the number of local producers and the fact that some are looking for refillable options.
- 18. Product Lifecycle Management. While there are no hazardous materials, there is still an environmental impact downstream of the collected commodities and the program should work to reduce this.
- 19. Greenhouse Gas Emissions. The program should be commended for starting to measure this. It may be helpful to include an explanation for the change in GHG avoided since 2008 in the plan.
- 20. Working with other programs. There is no mention in the plan about how the program plans to work with other BC EPR programs (such as the upcoming PPP program and the existing Brewer's Distributed Limited program).
- 21. Governance. The program is sufficiently mature that it could benefit from having some non-member officers on its board. These directors could come from local government or environmental organizations and help to ensure the program is living up to its mandate as well as decrease the potential for problems by bringing different perspectives.

I appreciate your attention to these details and hope that with these changes, Encorp will be seen as a leader in Extended Producer Responsibility for beverage containers.

Sincerely,

Sue Maxwell

## Bates, Julia ENV:EX

From: Zeiler-Kligman, Brian [bz-k@nationalbrewers.ca]

Sent: Monday, May 6, 2013 10:41 AM
To: Armstrong, Meegan ENV:EX

Cc: Ratcliffe, Julia ENV:EX; Lawes, David ENV:EX; XT:Newton, Jeff LCLB IN; Cox, Bryan;

Valiante, Usman

Subject: BDL Sch. 1 program commitments

Follow Up Flag: Follow up Completed

## Good morning Meegan:

Thank you for reaching out and calling me this morning. I understand from our conversation that the MoE would like to see clearer timelines, targets and a reporting back mechanism within the commitments that were sent to the MoE previously. In the spirit of co-operation with which we have been approaching this issue from the start, we are happy to provide these (as well as answers to the questions posed on April 5<sup>th</sup>). We will commit to providing this information by Friday (May 10).

Once again, I appreciate that you called me with this area of concern and we are happy to revise our commitments to include these targets and timelines. We remain committed to working with the MoE as we strive to implement and to be the most effective (environmental and economic) stewardship program in BC.

Kind regards, Brian

Canada's National Brewers

Brian Zeiler-Kligman, M.A., LL.B. Director, Sustainability Canada's National Brewers

Direct: 905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

## [2013-05-10] Re: Follow-up from our March 5th meeting

Subject	Re: Follow-up from our March 5th meeting
From	Armstrong, Meegan ENV:EX
То	'bz-k@nationalbrewers.ca'; Ratcliffe, Julia ENV:EX
Сс	Lawes, David ENV:EX; XT:Newton, Jeff LCLB:IN; 'bcox@nationalbrewers.ca'
Sent	Friday, May 10, 2013 11:42 AM

#### Thanks Brian.

Both Julia and I are away from the office today, so we'll review your commitments - in light of our conversation last week around dates and monitoring - and get back to you next week.

## Meegan Armstrong Sent from Blackberry

From: Zeiler-Kligman, Brian [mailto:bz-k@nationalbrewers.ca]

Sent: Friday, May 10, 2013 09:36 AM

**To**: Armstrong, Meegan ENV:EX; Ratcliffe, Julia ENV:EX

Cc: Lawes, David ENV:EX; XT:Newton, Jeff LCLB:IN; Cox, Bryan <bcox@nationalbrewers.ca>

Subject: Re: Follow-up from our March 5th meeting

Good morning Meegan and Julia:

Further to my e-mail earlier this week, please find attached our revised commitments that now includes clearer targets, timelines and a reporting mechanism. As indicated in the attached, the first report back to the MoE will be by mid-July, with a couple of other reports before the end of this year.

In response to the request for clarification received on April 5<sup>th</sup>, please find below our responses:

## Flow of containers in BDL system

As set out in BDL's stewardship plan, BDL's program provides BC consumers with many convenient return-to-retail options for the return of their empty beer containers. BDL supplements this return-to-retail coverage with a number of authorized private bottle depot locations.

In its role as a distributor of full goods and as a steward for empty beer containers, BDL contracts with a number of agents for the distribution of full goods and/or the collection of empty containers. In most instances, BDL directly collects empty beer containers from retail locations at the same time as delivering full goods. In a number of instances, one of BDL's agents collects from these retail locations.

It is our understanding that some agents and/or authorized depots have made sub-contractual arrangements to purchase empty beer containers that have been accepted by unauthorized private bottle depots or other businesses. These sub-contracts come about because the deposit on the containers has created a marketplace for these containers. Just as unauthorized copies of movies or music or smuggled cigarettes are often sold in the marketplace, some independent businesses have chosen to accept empty beer containers from consumers, even though they are not authorized to do so, based on their profit motive. Ultimately, these containers are received by BDL mixed with containers redeemed at locations authorized by BDL, with nothing to distinguish one from the other. To be clear, the practice of discounting deposits is not and never has been a formal part of BDL's stewardship plan. Any discounting that is taking place is being conducted by parties with whom BDL has no business relationship and over whom we have no direct power or control.

consumer or another business. BDL is not in a position to police all exchanges in the marketplace that occur before empty beer containers are purchased by our authorized return locations. It is BDL's expectation that any business that collects empty beer containers from the public must refund them the full deposit (as stipulated in the *Recycling Regulation*). It is BDL's expectation that enforcement action needs to take place if this non-compliance with BC law is taking place on a consistent basis.

From our discussions about BDL's stewardship program, it is clear that we have not done a good enough job of ensuring the MoE fully understands our program. To that end, BDL would like to invite officials from MoE on a tour of our facilities and follow the lifecycle of our containers. We will be in touch to arrange a mutually convenient date for this tour.

## Depots listed in the BDL Annual Report

In its 2011 Annual Report, BDL tried to make clear the distinction between the "authorized" or contracted return locations in our stewardship program and all of the locations that are available to consumers for the return of empty beer containers. On page 8, BDL states:

Consumers can redeem BDL containers at multiple locations, including:

- \* BC Liquor Distribution Branch stores;
- \* Licensee Retail Stores (163 LRS stores are under contractual agreement with BDL to accept unlimited returns and all LRS are required to provide full refund deposits);
- \* Private Bottle Depots (all depots are legally obligated to provide consumers with a full refund of deposits paid; BDL has arrangements with 84 private bottle depots);
- \* LDB authorized agency stores (businesses in smaller or remote communities that are authorized by the LDB to sell liquor with other goods);
- \* BDL also collects containers from licensed establishments (i.e. bars and restaurants). This distinction is also made on page 18 of the 2011 Annual Report, where BDL reports on the number of collection partners that accept unlimited returns (one of BDL's performance measures). This figure also differs from the total number of return locations identified on page 8.

We sought to make this distinction because consumers can take their empty beer containers to all LDB stores and all private retail liquor stores. However, only those private retail liquor stores that have contracted with BDL to accept unlimited beer returns are technically an authorized location in the BDL program (and counted in the figure on page 18). In the same vein, it is BDL's understanding that all private bottle depots will accept empty beer containers from the public. We apologize if this distinction created confusion regarding the nature of BDL's program. BDL will ensure this issue is rectified in its 2012 Annual Report.

Kind regards, Brian



**Brian Zeiler-Kligman, M.A., LL.B.**Director, Sustainability
Canada's National Brewers

Direct: 905-361-4193 Cell: 416-458-8293

Twitter: @EnviroBeerGuy

## Dunn, Paula ENV:EX

From: Zeiler-Kligman, Brian [bz-k@nationalbrewers.ca]

Sent: Friday, May 17, 2013 1:24 PM
To: Lawes, David ENV:EX

Subject: RE: Follow-up from our March 5th meeting

Thanks David. Will you be in Whistler next week? Hopefully, we can find some time to grab a drink. Have a great long weekend.

Brian

Brian Zeiler-Kligman, M.A., LL.B.

905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuv

From: Lawes, David ENV:EX [mailto:David.Lawes@gov.bc.ca]

Sent: May 17, 2013 3:32 PM

To: Zeiler-Kligman, Brian; Armstrong, Meegan ENV:EX; Ratcliffe, Julia ENV:EX

Cc: Newton, Jeff; Cox, Bryan; Bates, Julia ENV:EX Subject: RE: Follow-up from our March 5th meeting

Brian ZK - Thank you for this information and plan.

Our next step will be to send a notice to all stakeholders in the beverage container collection business (depots, Encorp, etc) outlining the legal requirements and our expectations regarding beverage container deposits and refunds. We are scheduling a meeting on May 29 or 30 (TBD) in Vancouver with all groups to discuss our notice, bring everyone up to speed on BDL's plan (attached) and discuss any other issues that may be contributing to the discounting issue. Stay tuned for more information on the meeting.

We appreciate your cooperation in working collaboratively to resolve the discounting issue.

Regards, David

From: Zeiler-Kligman, Brian [mailto:bz-k@nationalbrewers.ca]

Sent: Friday, May 10, 2013 9:37 AM

To: Armstrong, Meegan ENV:EX; Ratcliffe, Julia ENV:EX

Cc: Lawes, David ENV:EX; XT:Newton, Jeff LCLB:IN; Cox, Bryan

Subject: Re: Follow-up from our March 5th meeting

Good morning Meegan and Julia:

Further to my e-mail earlier this week, please find attached our revised commitments that now includes clearer targets, timelines and a reporting mechanism. As indicated in the attached, the first report back to the MoE will be by mid-July, with a couple of other reports before the end of this year.

In response to the request for clarification received on April 5<sup>th</sup>, please find below our responses:

Flow of containers in BDL system

As set out in BDL's stewardship plan, BDL's program provides BC consumers with many convenient return-to-retail options for the return of their empty beer containers. BDL supplements this return-to-retail coverage with a number of authorized private bottle depot locations.

In its role as a distributor of full goods and as a steward for empty beer containers, BDL contracts with a number of agents for the distribution of full goods and/or the collection of empty containers. In most instances, BDL directly collects empty beer containers from retail locations at the same time as delivering full goods. In a number of instances, one of BDL's agents collects from these retail locations.

It is our understanding that some agents and/or authorized depots have made sub-contractual arrangements to purchase empty beer containers that have been accepted by unauthorized private bottle depots or other businesses. These sub-contracts come about because the deposit on the containers has created a marketplace for these containers. Just as unauthorized copies of movies or music or smuggled cigarettes are often sold in the marketplace, some independent businesses have chosen to accept empty beer containers from consumers, even though they are not authorized to do so, based on their profit motive. Ultimately, these containers are received by BDL mixed with containers redeemed at locations authorized by BDL, with nothing to distinguish one from the other. To be clear, the practice of discounting deposits is not and never has been a formal part of BDL's stewardship plan. Any discounting that is taking place is being conducted by parties with whom BDL has no business relationship and over whom we have no direct power or control.

BDL ensures that its agents pay the full deposit refund on all containers they purchase, whether from a consumer or another business. BDL is not in a position to police all exchanges in the marketplace that occur before empty beer containers are purchased by our authorized return locations. It is BDL's expectation that any business that collects empty beer containers from the public must refund them the full deposit (as stipulated in the Recycling Regulation). It is BDL's expectation that enforcement action needs to take place if this non-compliance with BC law is taking place on a consistent basis.

From our discussions about BDL's stewardship program, it is clear that we have not done a good enough job of ensuring the MoE fully understands our program. To that end, BDL would like to invite officials from MoE on a tour of our facilities and follow the lifecycle of our containers. We will be in touch to arrange a mutually convenient date for this tour.

## Depots listed in the BDL Annual Report

In its 2011 Annual Report, BDL tried to make clear the distinction between the "authorized" or contracted return locations in our stewardship program and all of the locations that are available to consumers for the return of empty beer containers. On page 8, BDL states:

Consumers can redeem BDL containers at multiple locations, including:

- \* BC Liquor Distribution Branch stores;
- \* Licensee Retail Stores (163 LRS stores are under contractual agreement with BDL to accept unlimited returns and all LRS are required to provide full refund deposits);
- Private Bottle Depots (all depots are legally obligated to provide consumers with a full refund of deposits paid; BDL has arrangements with 84 private bottle depots);
- \* LDB authorized agency stores (businesses in smaller or remote communities that are authorized by the LDB to sell liquor with other goods);
- \* BDL also collects containers from licensed establishments (i.e. bars and restaurants).

This distinction is also made on page 18 of the 2011 Annual Report, where BDL reports on the number of collection partners that accept unlimited returns (one of BDL's performance measures). This figure also differs from the total number of return locations identified on page 8.

We sought to make this distinction because consumers can take their empty beer containers to all LDB stores and all private retail liquor stores. However, only those private retail liquor stores that have contracted with BDL to accept unlimited beer returns are technically an authorized location in the BDL program (and counted in the figure on page 18). In the same vein, it is BDL's understanding that all private bottle depots will accept empty beer containers from the public. We apologize if this distinction created confusion regarding the nature of BDL's program. BDL will ensure this issue is rectified in its 2012 Annual Report.

Nine regards Brian



## Canada's National Browers

Brian Zeder Khoman, W.A. II. H. They be testerold by Cassets National Reserve

Direct Med Bot 4199 Cell 4): 458 8791 Twoder @EnviroBertian

## BDL Sch. 1 Program Commitments (March 2013)

As reiterated in our meetings and our correspondence during March 2013, BDL remains, as always, committed to working with its program stakeholders and the Ministry on any and all issues identified with our program. In that spirit, we outline below the additional steps that BDL will be undertaking to further improve its position as the longest standing and best performing stewardship program in the province. The commitments made below will be completed by the end of 2013 (with one exception noted in the final buillet). BDL commits to report back to the MoE regarding progress on these commitments by September 2013 and again by December 31, 2013. BDL is happy to work with the MoE on an appropriate report-back schedule, if needed, beyond December 31, 2013.

- BDL is proud to offer a highly-effective and cost-efficient stewardship program to BC residents.
  It is a plan that operated for decades on a voluntary basis before any regulatory requirements
  existed. And it is a plan that consistently makes performance commitments that go beyond the
  regulatory requirements that exist today. BDL continually works to expand its collection
  network, providing consumers with a high level of free access and convenient options where
  they can redeem their containers and obtain their full deposit refund. As a result of this work,
  BDL's network of collection partners has doubled over the course of our current stewardship
  plan (i.e. since 2009). The BDL program now offers proportionally better authorized coverage
  than the other steward for Schedule 1 products.
- BDL is currently working to improve consumer access to return-to-retail locations. We have recently re-negotiated our partnership with the Alliance of Beverage Licensees of BC (ABLE BC), whereby BDL has an open offer of a collection contract with all private retail liquor stores (who agree to accept unlimited returns of beer containers in the contract). We are currently finalizing the communication to be sent to all retail liquor store owners in BC to inform them of the program's re-launch. These letters will be sent to all private retail liquor stores by June 15, 2013. BDL will also be directly communicating with its customers about this program. As this is a voluntary program, it is difficult at this time to provide a target for the number of additional retail liquor stores that will sign with BDL. At present, data gathering is being done by BDL to determine operational and budgetary issues surrounding program coverage expansion. BDL will report back to the MoE by July 15, 2013 with a target in this area (more on this below).
- Closely tied to this initiative are enhanced public communications about authorized return locations. Each existing authorized return location will be receiving a visually-striking poster by the end of May 2013 to place in their store-front window and let customers know they can return unlimited beer empties at that location. Private retail liquor stores that sign up as an authorized return location based on the program re-launch set out above will receive a poster to place in their store-front window when they sign up.
  Please note that all private retail liquor stores receive container pick-up from BDL and/or its agent, whether they are an authorized location or not (occurs at the time of distribution of full goods). The difference is that "authorized" locations have agreed to serve as an unlimited

return location for empty beer containers.

- Our website, www.Enverible.com, is being revamped we are working on finishing designs
  for the website. It is anticipated the revamped website will go live by August 2013. This
  revamped website will be mobile-friendly and will have a number of other features to ensure it
  is optimized in search results. One of the prominent features on the website will be a return
  location locator, where consumers can input their postal code and the nearest authorized return
  locations for beer containers will come up.
- At the same time, we will provide RCBC by June 15, 2013 with an updated list of authorized
  return locations to ensure that these come up when people call the Recycling Hotline or use the
  Recyclepedia (at present, no specific retail return locations come up as results even though
  retail locations are legally required to operate as return facilities for all the beverage containers
  they sell). BDL will also inform RCBC of any new return locations (or existing locations that are
  no longer part of the BDL program) on a bi-annual basis going forward to ensure that RCBC's
  information for the public is accurate.
- BDL is also committing to undertake a consumer survey regarding container and secondary
  packaging returns. This survey will be done in the late summer/early fall of 2013 and will be
  completed by the end of the calendar year and will help to inform the commitments BDL looks
  to undertake in its next stewardship plan.
- In addition to these renewed efforts to expanded unlimited beer return retail locations and enhanced public awareness efforts, BDL is also reviewing its collection network and the coverage across the province. As approved by the Ministry, our stewardship plan puts a premium on return-to-retail locations, with independent bottle depots serving to complement this retail return network. BDL seeks to ensure that between government liquor stores, unlimited return private retail stores and authorized depots, consumers in all parts of the province have adequate free access to collection facilities. To this end, BDL commits to update its GIS data on its collection network by the end of Q3 2013 (i.e. by end of September 2013). This data, coupled with our general returns data and the results of the consumer survey, will enable BDL to identify where our program coverage needs to expand. We will look to increase our authorized coverage in those areas, subject to negotiating appropriate agreements with collectors, by the end of 2014. BDL commits to report back to the MoE by September 2013 with further clarification on targets in this area.



## MINISTRY OF ENVIRONMENT

#### TELEPHONE RESPONSE RECORD

CLIFF Reference #:

50400-25/BDL

Date of Telephone Call:

May 28, 2013

Time of Call:

3:00pm

Recipient of Telephone Call:

Brian Zeiler-Kligman

Brewers Distributors Limited (BDL)

#### CALL DETAILS:

Phoned Brian in regards to the May 30<sup>th</sup> meeting.

 He indicated BDL would not attend as they object to sharing the plan they submitted to the Ministry. He expressed the plan was commercially sensitive.

- I indicated that we had not distributed the document nor did we intend to at
  the meeting. We wanted BDL at the meeting so they could talk about the
  actions they plan on taking to resolve the discounting issue. I reminded him
  that the Ministry, as a government agency, is subject to the FOIPPA and any
  documents they submitted to us could be released under the Act.
- He again confirmed that BDL would not be attending the meeting to which I
  responded that the meeting would still take place given the purpose was, as
  indicated in the invitation: stakeholder discussion on resolving the beverage
  container discounting issue. I told Brian that the agenda would likely be
  adjusted and there would be no discussion on BDL plan in their absence.

CONTACT NAME(s):

Meegan Armstrong

CONTACT NUMBER:

250 387-9944

DIVISION:

EPD

Follow-Up Letter Required?

No

# [2013-05-29] RE: Stakeholder discussion on resolving the beverage container discounting issue

Subject	RE: Stakeholder discussion on resolving the beverage container discounting issue
From	Zeiler-Kligman, Brian
То	Armstrong, Meegan ENV:EX
Sent	Wednesday, May 29, 2013 6:30 PM

## Hi Meegan:

A couple of comments on the draft compliance notification:

- A container redemption facility is either a retailer (required by law) or another "operation, facility or retail premises identified in an approved plan for the collection and redemption of a producer's containers" (Sch. 1, s. 1)
- S. 6(1) states that a container redemption facility or a retailer "must accept containers for return and pay to the person returning the containers a cash refund" not less than the deposit the consumer originally paid
- All depots are authorized in the Encorp plan, but only certain depots are authorized in the BDL plan this means that all depots are required to take back all containers under Encorp's plan, but only the depots that are part of the BDL plan are required to take back beer containers; any other depot that accepts back beer containers does so voluntarily (not by requirement of law)
- That being said, any location (depot or retail) that chooses to collect back any particular container is obligated to pay the consumer not less than the refund the consumer originally paid on the container
- The way the second sentence of the second paragraph is currently written, it could be read to suggest that all depots are obligated to take back all beverage containers, which is not the case

Kind regards, Brian

Brian Zeiler-Kligman, M.A., LL.B.

905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

From: Armstrong, Meegan ENV:EX [mailto:Meegan.Armstrong@gov.bc.ca]

**Sent:** May 29, 2013 10:56 AM

**To:** Lawes, David ENV:EX; Ranson, David ENV:EX; Bates, Julia ENV:EX; Cox, Bryan; Zeiler-Kligman, Brian; neil@encorpinc.com; bill@encorpinc.com; bcbda@telus.net; paul@regionalrecycling.ca **Subject:** RE: Stakeholder discussion on resolving the beverage container discounting issue

Good morning,

For your review and discussion at tomorrow's meeting on beverage container discounting, attached are two documents: 1) The draft compliance deposit-refund notification; 2) A draft schematic of the beverage container return pathway.

C. Meegan Armstrong T: 250.387.9944

-----Original Appointment-----From: Lawes, David ENV:EX

**Sent:** Wednesday, May 22, 2013 3:41 PM

Page 211 redacted for the following reason:

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Not Responsive

## 2013-06-04 Brewers Distributor Limited - Protection of Confidential Information

Subject	FW: Brewers Distributor Limited - Protection of Confidential Information
From	Lee, Bonnie ENV:EX
То	La wes, David ENV:EX
Cc	Armstrong, Me egan ENV:EX; Gilmour, Lori ENV:EX
Sent	Tues day, June 4, 2013 10:30 AM
Attachments	TO LAND
	LT MoE re

#### Not sure if you received a copy of this or not...

Bonnie Lee | Senior Executive Assistant | Deputy Minister's Office | Ministry of Environment | Phone 250.387.5429

From: Bursey, David [mailto:dwb@bht.com]
Sent: Monday, June 3, 2013 3:04 PM
To: Ranson, David ENV:EX
Cz: XT:Newton, Jeff LCLB:IN; 'Zeiler-Kligman, Brian'; Cox, Bryan; Valiante, Usman; Lee, Bonnie ENV:EX
Subject: Brewers Distributor Limited - Protection of Confidential Information

Please see the attached letter from Brewers Distributor Limited.

David Bursey
Partner, Energy + Aboriginal Law
T 604.641.4999 F 604.646.2563 dw b@bbt.com
Assistant Dana Moffat T 604.641.4527 dnn@bht.com
BULL HOUSSER 3000 - 1055 West Georgia Street | Vancouver BC | Canada V6E 3R3
www.bht.com | Subscribe to Newsletters | Email Privacy
Bull, Housser & Tupper LEP



Bull, Housser & Topper LLP 3000 Royal Centre 1055 West Georgia Street Vancouver, BC V5E 1R3 T 604.687.6575 F 604.641.4949

Reply Attention of: Direct Phone: Direct Fax: E-mail: Our File: Date:

David Bursey 604.641.4969 604.646.2563 dwb@bht.com 98-2742 June 3, 2013

Mr. David Ranson Executive Director Environmental Standards Branch Ministry of Environment P.O. Box 9341 Stn Prov Govt Victoria, BC V8W 9M1

Dear Mr. Ranson:

## Re: Brewers Distributor Limited - Protection of Confidential Information

We represent Brewers Distributor Limited (BDL) on this matter. BDL has serious concerns about the failure of the Environmental Standards Branch (ESB) to respect the commercial sensitivity of information BDL shared with ESB related to the issue of discounted beverage container deposits. The ESB's breach of confidentiality has harmed BDL in the marketplace. Further, it has damaged BDL's trust in ESB on this issue.

BDL would like to convene a meeting with you to discuss ESB's actions and find a common understanding on how to proceed in the future. BDL has already been in communication with the Deputy Minister's office on this issue.

BDL's concern arises from ESB's recent actions related to the draft plan that BDL provided to ESB in early May (the "draft BDL Plan"). BDL provided that plan to ESB in draft form, with the understanding that it was confidential and BDL would have the opportunity to discuss the plan with ESB before it was finalized. The draft plan was not intended for public distribution.

Instead of arranging a meeting to discuss the draft BDL plan bilaterally with BDL, ESB convened a meeting with BDL's competitors and commercial partners on May 30<sup>th</sup> – on short notice – to discuss the discounting issue and the draft BDL plan. The discounting issue has many aspects that warrant discussion, yet a focal point of the meeting was to be BDL's draft plan. ESB also expected BDL to present the plan to the group.



That meeting was not the appropriate way to consult with stakeholders on BDL's plan. BDL wished to finalize the plan first before it engaged in consultation with its stakeholders. BDL also intended to plan the timing and manner of consultation in a way that respected its relationships with its commercial partners and other stakeholders.

BDL expressed its concerns about the meeting to ESB. Briefly summarized, the concerns included the following:

- The plan was not intended for public release, particularly before BDL had the opportunity to meet with its commercial partners to convey the plan and its implications;
- Releasing the draft BDL Plan to BDL's competitors and commercial partners would harm BDL's commercial interests;
- BDL cannot arrange to attend the meeting on such short notice;
- The discounting issue involves many inter-related issues and actors, yet the BDL plan is given disproportionate focus; and
- It was inappropriate to have others comment on BDL's draft Plan.

Despite BDL's objections, the meeting proceeded without BDL. ESB distributed a meeting agenda on May 28, 2013 that included as an agenda item: "BDLs Plan to resolve discounting issue and ensure compliance". The pre-emptory nature of the notice and discussion on the BDL draft Plan, even if only in general terms, was inappropriate.

Since the May 30 meeting, BDL has received calls and e-mails from its contracted depots expressing concern about the draft BDL Plan. ESB actions have harmed the relationship between BDL and its depot partners. Even the ESB's description of the agenda item itself, in particular the reference to "ensuring compliance" when no determination of non-compliance has been rendered, casts a negative and unfair shadow on BDL's reputation in market.

If BDL is to continue to share information voluntarily with ESB on this and other issues, BDL must be assured that ESB will not disclose commercially-sensitive BDL information to third parties unless agreed to by BDL or otherwise required by law.



For these reasons, BDL would like to arrange an early opportunity to meet with you to resolve its concerns. You may communicate with Brian Zeiler-Kligman (phone: 416-458-8293 / e-mail <a href="mailto:bz-k@nationalbrewers.ca">bz-k@nationalbrewers.ca</a>) or me to arrange the meeting.

In the interim, I would be pleased to answer any questions.

Yours truly,

Bull, Housser & Tupper LLP

David Bursey

CC: Wes Shoemaker, Deputy Minister, Ministry of Environment

#### Dunn, Paula ENV:EX

From: Ratcliffe, Julia ENV:EX

Sent: Tuesday, June 4, 2013 4:24 PM To: Armstrong, Meegan ENV:EX

Subject: BDL convo april 22

Meegan,

s.13

#### Beverage container discounting - April 22, 2013

Phone discussion between BDL (Brian Z-K) and MOE (Meegan A. And Julia R.)

#### Summary:

- BDL (Brian) denied and pushed back on previous agreement to create a plan to directly address the issue of discounting
- MOE strongly urged BDL to submit a plan (to address discounting), which was previously committed to during a phone conversation between BDL (Jeff Newton) and MOE (David Lawes). Also, MOE asked for BDL to respond to clarification questions asked previously (April 5<sup>th</sup>, 2013) regarding how beverage containers enter BDL's collection system.
- BDL agreed to respond to questions and to "create detailed bullets" that outline their plan.

#### Armstrong, Meegan ENV:EX

From: Newton, Jeff [JNewton@nationalbrewers.ca]

Sent: Tuesday, June 4, 2013 3:42 PM
To: Armstrong, Meegan ENV:EX

Subject: Re: Scheduling of June beverage container discounting meeting

#### Meegan

Prior to attending any all party meeting we believe that a discussion needs to be held first between ourselves and the MoE to clarify the protocols for the sharing of commercially sensitive BDL/CNB information. We are working to convene those discussions through David Ranson and the Deputy Minister. Once those discussions have occurred we can revisit the question of future all party meetings.

#### Jeff

---- Original Message ----

From: Armstrong, Meegan ENV:EX [mailto:Meegan.Armstrong@gov.bc.ca]

Sent: Tuesday, June 04, 2013 05:59 PM To: Newton, Jeff; Zeiler-Kligman, Brian

Subject: RE: Scheduling of June beverage container discounting meeting

#### Afternoon Jeff,

Hopping you can tell me either way if you and other BDL staff will be able to attend an all party meeting on beverage container discounting next week.

The date we are looking at now is the morning of June 13th in Vancouver.

C. Meegan Armstrong T: 250,387,9944

-----Original Message-----

From: Armstrong, Meegan ENV:EX Sent: Friday, May 31, 2013 9:09 AM

To: XT:Newton, Jeff LCLB:IN; 'bz-k@nationalbrewers.ca'

Cc: Lawes, David ENV:EX; Bates, Julia ENV:EX; Ranson, David ENV:EX Subject: Re: Scheduling of June beverage container discounting meeting

Jeff -

Correction: The date should have read June 10th.

Meegan Armstrong Sent from Blackberry

---- Original Message ----

From: Armstrong, Meegan ENV:EX Sent: Friday, May 31, 2013 07:53 AM To: XT:Newton, Jeff LCLB:IN; 'bz-k@nationalbrewers.ca' < bz-k@nationalbrewers.ca>

Cc: Lawes, David ENV:EX; Bates, Julia ENV:EX; Ranson, David ENV:EX Subject: Scheduling of June beverage container discounting meeting

Good morning Jeff,

As discussed on our Wednesday afternoon conference call, we'd like to arrange another meeting with all parties involved in the beverage container return program to discuss beverage container discounting.

Would June 6th, 10-1 in Vancouver work for BDL folks? I understand from Brian that he is scheduled to be in town then.

Meegan Meegan Armstrong Sent from Blackberry

# [2013-06-10] POSTPONED: Proposed June 13, 2013 Meeting to discuss beverage container discounting

Subject	POSTPONED: Proposed June 13, 2013 Meeting to discuss beverage container discounting		
From	Armstrong, Meegan ENV:EX		
То	'bcox@nationalbre wers.ca'; 'bz-k@nationalbre wers.ca'; neil@encorpinc.com; bill@encorpinc.com; bcbda@telus.net; 'Paul Shorting'		
Cc	Ranson, David ENV:EX; Lawes, David ENV:EX; Bates, Julia ENV:EX		
Sent	Monday, June 10, 2013 7:16 AM		

#### Good afternoon everyone,

At the end of the May 30, 2013 Vancouver meeting to discuss beverage container discounting, parties agreed to reconvene in approximately two weeks time (tentatively June 13, 2013).

Unfortunately, several people have indicated they are now unavailable this week, and as such the meeting will have to be rescheduled. The Ministry will be in touch and propose future dates for the next meeting.

C. Meegan Armstrong | Project Manager - Industry Product Stewardship | Environmental Quality Branch | Ministry of Environment 3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1 T: 250.387.9944

#### MINISTRY OF ENVIRONMENT INFORMATION NOTE

Date: June 12, 2013 File: 50400-25 BEV CLIFF/tracking #: 195576

PREPARED FOR: Wes Shoemaker, Deputy Minister of Environment (MoE) and Jim Standen, Assistant Deputy Minister, Environmental Protection Divison.

ISSUE: The Ministry remains concerned there are non-compliance issues with Brewers Distributor Limited (BDL)'s stewardship plan for beer containers.

#### BACKGROUND:

The Province of BC, under the Recycling Regulation (the Regulation), Section 5(1) requires producers to adequately provide for the producer collecting and paying the costs of collecting and managing products, as well as reasonable and free access to collection facilities.

BDL has agents that collect beverage containers from 'discounting depots' and BDL takes credit for the (discounted) containers in their annual recovery rate calculation.

In email correspondence dated March 20, 2013, the Ministry notified BDL that it may not be in compliance with Section 5(1) of the Recycling Regulation and requested that BDL either provide information to show it was in compliance or provide a plan to ensure compliance.

BDL acknowledged that its beer container program is central to the issue of beer container discounting and on May 10, 2013, BDL submitted a plan to address the discounting of beverage containers.

BDL alleges that the actions of other stakeholders in the beverage container collection industry (i.e., Encorp, depot operators) contribute to the issue and must play a role in its resolution.

Ministry staff attempted to convene a meeting with all parties involved in the beverage container collection industry to discuss discounting on May 30, 2013; however, BDL representatives refused to attend and participate in such discussions citing concerns with the Ministry's approach and proposed agenda.

Ministry advised BDL that the meeting would still take place given its broad purpose of having a discussion on the beverage container discounting issue, but BDL's plan would not be discussed in their absence, which was the case.

On June 3, 2013, Ministry staff received a letter direct from BDL legal counsel outlining BDL concerns with the Ministry's actions to date.

#### DISCUSSION:

Page 221 redacted for the following reason: s.13

Contact:

ADM: Jim Standen Environmental Protection Division

Phone: 250-387-1228

Alternate Contact:

Exec, Director: David Ranson Environmental Standards Branch

Phone: 250-387-9933

Prepared by:

Staff: Julia Bates Senior Policy Analyst Phone: 250-356-9089

Approved	Initials	Date	
ADM			
Exec. Dir.	DR	06/13/13	
Mgr.	DL	06/12/13	
SH.	MA	06/12/13	
Author	JB	06/12/13	



### MINISTRY OF ENVIRONMENT

#### TELEPHONE RESPONSE RECORD

CLIFF Reference #: 50400-25/BDL

Date of Telephone Call: June 12, 2013

Time of Call: 1:30pm

Recipient of Telephone Call: \$.22 (no last name provided)

s.22

#### CALL DETAILS:

 s.22 had left a VM for Meegan Armstrong. He expressed strong concerns in regards to the discounting of containers at a beverage container depot facility.

- I asked s.22 for the location of the depot facility. He stated it is located in Surrey at Fraser and 151 St.
- lasked s.22 for further clarification regarding the types of beverage containers being discounted, s.22 stated they were beer beverage containers. The depot was paying 8 cents instead of 10 cents per container.
- s.22 was upset about the discounted beer containers. He expressed frustration and annoyance at the system.
- I assured s.22 that we are looking into the issue and should I require further information from him I would follow up directly.
- By the end of the call s.22 thanked me for my time.

CONTACT NAME(s): Julia Bates

CONTACT NUMBER: 250 356-9089

DIVISION: EPD

Follow-Up Letter Required? No.

From: Sent: Neil Hastie <neil@encorpinc.com> Tuesday, June 18, 2013 9:26 AM

To:

Ranson, David ENV:EX

Cc:

Lawes, David ENV:EX; Armstrong, Meegan ENV:EX; Ratcliffe, Julia ENV:EX

Subject:

Encorp Pacific Annual report for 2012

Dear David Ranson; this week we will deliver to you our 2012 Annual Report containing audited financial statements and incorporating several other ministry requirements:

- Independent Reasonable Assurance Report for collection facilities and product sold and collected and the recovery rate
- Verification of our handling methods for glass beverage containers as per the protocol between the ministry and Encorp
- 3. The 2012 Annual Report follows the template developed in MoE/SABC Working Group 1

You will note that in the CEO Letter I have made reference to discounting and the barrier created by this condition; more specifically, the limiting effect to the effective development of multi program depots. For your convenience, here is a link to the report: <a href="https://www.return-it.ca/ar2012">www.return-it.ca/ar2012</a>

Regards Neil Hastie

President & CEO (until June 30, 2013)

#### **ENCORP PACIFIC (CANADA)**

206, 2250 Boundary Road Burnaby BC V5M 3Z3

Direct Line:604-473-2417 Toll free: 1-800-330-9767 Fax: 604-437-2411

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## 2013-06-24 RE: Could you call...

Subject	RE: Could you call		
From	Bates, Julia ENV:EX		
To	Armstrong, Meegan ENV:EX		
Sent	Monday, June 24, 2013 3:46 PM		

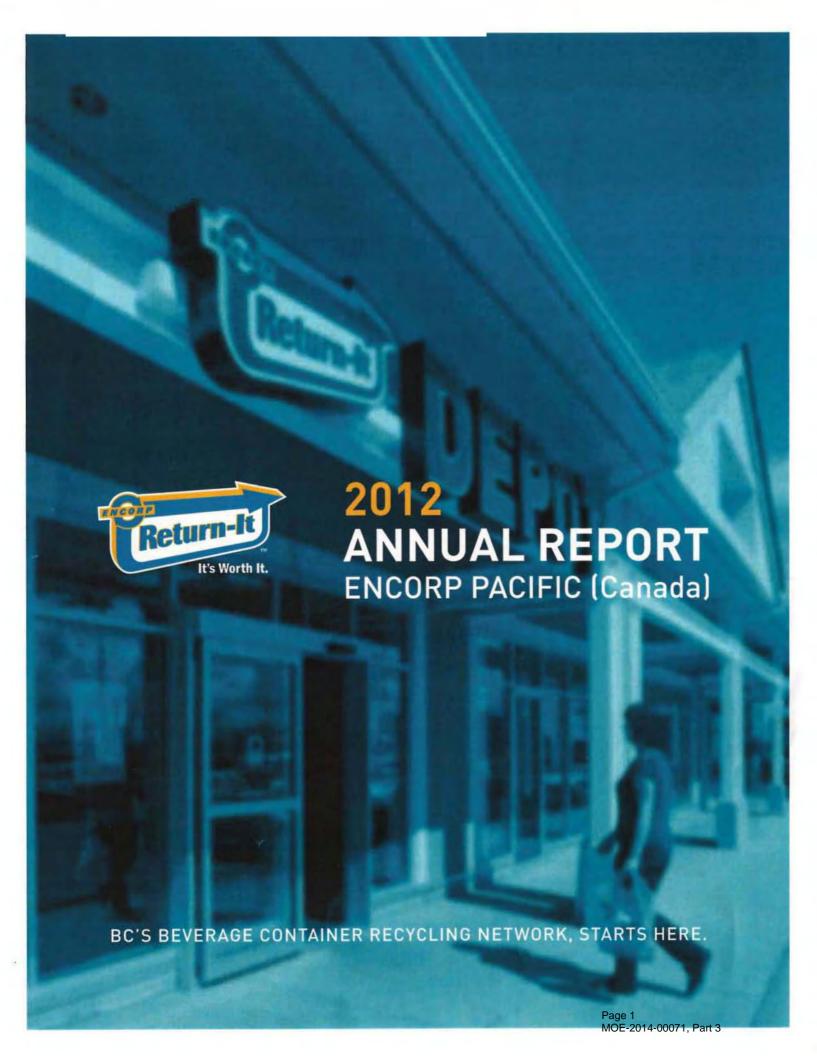
No prob. I phoned him back and left a message. Left him my information to return the call. Will keep you posted if it's something specific... I'm sure it's an MMBC thing. @

From: Armstrong, Meegan ENV:EX Sent: Monday, June 24, 2013 2:39 PM To: Bates, Julia ENV:EX

Subject: Could you call...

Chilliwack - Regarding Recycling Regulation I'm guessing it either about discounting or ppp) given that they left a message directly for me.

C. Meegan Armstrong | Project Manager - Industry Product Stewardship | Environmental Quality Branch | Ministry of Environment 3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1 T: 250.387.9944



973
Millions Containers Collected
78.7%
Recovery rate

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### EXECUTIVE SUMMARY

Encorp Pacific (Canada) is British Columbia's, not-for-profit, product Stewardship Corporation with beverage container management as our core business. Our mandate is to develop, manage and improve systems to recover used packaging and end-of-life products from consumers and ensure that they are properly recycled and not land-filled or incinerated. All data refers to January 1, 2012 to December 31, 2012.

#### Public Education Materials and Strategies

- \$3.5 Million, 12 month, full province, multi-pronged, target specific consumer awareness campaign implemented
- New mobile website launched compatible with all smartphones. Platinum winner in the 2012 MarCom Awards competition
- Research reports a net 99% awareness level of container types and beverage types in the Return-It™ system

#### Collection System and Facilities

- 171 Encorp Return-It™ Depots: No additions and one closure during 2012
- · 5 mobile collectors certified in Metro Vancouver
- More than one half of the depots offer collection services to the IC&I sector
- · Elementary & High School program collected 2,800,000 containers
- · Public space pilot in Vancouver and specialty bins in 14 BC Parks

#### Product Environmental Impact, Reduction, Reusability and Recyclability

- Beverage producers have achieved near maximum light weighting of containers and are implementing zero landfill requirements at their production facilities
- . Encorp stewarded containers are all "one way " containers and are not reused
- · All containers are recyclable with laminate type containers being stored pending market demand

#### Pollution Prevention Hierarchy and Product/Component Management

- · All Encorp stewarded containers are recycled except as noted under Product Environmental Impact section
- All Encorp containers are sold into recycling markets with 97% going to North American destinations

#### Product Sold and Collected and Recovery Rate (the 12 months ended December 31, 2012)

- Sales are 1,237,108,765
- Products collected are 973,327,078
- Recovery Rate is 78.7%

#### Summary of Deposits, Refunds, Revenues and Expenses

(the 12 months ended December 31, 2012)

- Deposits are \$85,181,918
- Refunds issued are \$69,160,311
- Total Revenues are \$94.831.249
- Total Expenses are \$87,763,676
- Excess of revenue over expenses is \$7, 067,573

Encorp Pacific (Canada) 2012 Annual Report



# Plan target: 75% 2012 Results: 78.7%

# Comparison of Key Performance Targets Recovery Rates

2011

• 79.8%

#### Consumer Accessibility

2011

 79% of consumers surveyed are aware of the nearest Return-It™ Depot location to return containers. 90% are aware of a Depot or Retail location to return containers.

# Consumer Accessibility - Vancouver Area 2011

 68% of consumers surveyed are aware of the nearest Return-It™ location to return containers.

#### **Multifamily Collection**

2011

 Pilot Program with 67 buildings with collection service in place.

#### **Elementary and High School Program**

2011

- 313 schools registered
- . \$249,500 in deposit refunds
- · 3.5 million containers recycled

#### **Event and Public Places**

2011

 Encorp participated in 50 events over 42 days including a pilot program at Capilano College.

#### 2012

• 78.7%

#### 2012

 85% of consumers surveyed are aware of the nearest Return-It™ Depot location to return containers. 92% are aware of a Depot or Retail location to return containers.

#### 2012

 76% of consumers surveyed are aware of the nearest Return-It™ location to return containers.

#### 2012

 Multifamily moved from a pilot program to regular day-to-day collection network with service contracts in place. Service provided primarily within the City of Vancouver.

#### 2012

- 288 schools registered
- . \$173,000 in deposit refunds
- · 2.8 million containers recycled

#### 2012

- Encorp participated in 45 events over 61 days including the 2nd year with Capilano
- Encorp participated with the City of Vancouver in a 60 bin pilot program

# MESSAGE FROM THE CHAIR



By traditional indicators, 2012 can be counted as another successful year for Encorp Pacific (Canada) and its partners. Financially, we continued to strengthen our balance sheet as decisions made two years ago restored a level of comfort in the wake of the global recession. Operationally, we witnessed further upgrades to our depot network. The quality of Return-It<sup>TM</sup> centres continues to rise and customer satisfaction is at an all-time high.

We did experience a modest decline in our recovery rate. There are many possible reasons for this, but we do not think the final number represents a serious drop in performance. Still, from a broader perspective it does shed light on the challenges of attaining incremental gains against a single performance indicator in what can now be classified as a mature collection system.

Recognizing this, the Board of Directors has endorsed a new Strategic Plan, a major component of which is to re-tool certain elements of the existing collection system. The main features of this initiative are described in Neil Hastie's message elsewhere in this report. What is clear is that the traditional collection model - now almost twenty years old -

is in need of some fine tuning if it is to meet the current and future expectations of British Columbia consumers.

Many of the new collection mechanisms are unconventional and 'leading edge.' The pilot tests will be critical, but after much review we are excited about their ability to deliver greater convenience to BC consumers and greater value to both depot operators and brand owners.

We are also pleased to have worked through some of the barriers that exist with respect to the siting of new depots in the City of Vancouver. The challenges of siting depots in densely populated urban areas are many and complex, and our ability to achieve incremental gains in Vancouver will go a long way to moving the needle on the overall recovery rate. The recent completion of an application protocol with city staff, coupled with the new depot formats referred to above, should help provide more services to Vancouver residents, tailored to the unique needs of the urban environment.

All of these developments take place within a dynamic policy context. In many ways we are at a tipping point in product stewardship, where new thinking is required to get us to higher ground in terms of program performance and economic sustainability. Here, sustainability means not just affordability for consumers - although that remains paramount - but also ensuring that all segments of the supply chain can earn a decent return on their investments while providing even more convenience - and clarity - for BC consumers.

To date, British Columbia has done a good job of creating purpose-built programs to deal with specific products. In the future, the operators of those programs will be challenged to cooperate amongst one another, to collaborate where it makes sense

and above all, to be innovative in their approach to collecting and recycling designated products.

One of the signal developments of 2012 was the provincial government's go-ahead on Packaging and Printed Paper stewardship. The formation of a new stewardship agency and the hard work being done on behalf of non-beverage packaging stewards are welcome developments for what is probably the most ambitious initiative of its kind. It remains to be seen whether Encorp has a direct role in program delivery or whether we are indirectly involved as a leading member of the stewardship fraternity in British Columbia. In any event, we continue to support industry efforts to achieve a successful program.

Encorp's own success is built on a foundation of relationships. Many years ago our Board of Directors chose a business model that was light on owned assets and heavy on mutually beneficial business relationships between an array of stakeholders.

The ongoing support of all our partners - depot operators, transporters, material processors and the larger community of stewardship agencies, local governments and public interest groups - is vital to making the Encorp system one of the most admired in North America. It is greatly appreciated, as are the continued guidance of our Board and the outstanding work of our staff.

After fifteen years at the helm, Neil Hastie retires as Chief Executive Officer of Encorp Pacific this summer. It is impossible to fully measure Neil's imprint on product stewardship in British Columbia - and Canada - so far. Under Neil's leadership, Encorp has evolved from a simple organization formed to discharge brand owner obligations under the old Beverage Container Stewardship Program Regulation into one of the most respected stewardship agencies on the continent. I have

no doubt that he will continue to have a profound influence on the industry for many years to come. On behalf of the Board of Directors, I extend our sincere appreciation and thanks for Neil's contribution.

Dan Wong Board Chair

## MESSAGE FROM CHIEF EXECUTIVE OFFICER



I am pleased to present the 2012 Annual Report. Our financial performance is in keeping with our goal of strengthening our reserves in anticipation of more aggressive investments in the near future. These investments focus in particular on consumer education, as well as technology and innovation in our collection infrastructure.

We are reporting a reduction in our recovery rate from 79.8% in 2011 to 78.7% last year. We do not believe this to be a trend as we have seen improvements in both January and February of 2013. However, the results for 12 months ending December 31, 2012 confirm the challenges that lie ahead as Encorp strives to achieve recovery rates greater than 80%.

There are several building blocks necessary for us to achieve continuous improvement in recovery volumes and rates. In this report I would like to outline our key strategies and provide an update on the status of several new initiatives. As well, I bring particular focus to the continued evolution of the Return-It<sup>TM</sup> depots as many are becoming the key full service recycling depots for their communities.

#### New Generation of Return-It™ Collection Locations

In the major cities in the province, population is increasingly concentrated in urban localities or town centres. As well, most new housing is taking the form of either high rise or other multifamily buildings. Together these trends mean we must adapt the size

and operating style of our standard bottle depots. After all, the current model was developed almost 15 years ago when occupancy costs and good quality commercial/industrial locations of 3-4,000 square feet were within reach of most owners and in most areas.

In addition to the diminishing availability of good locations, a second trend is creating its own unique pressure on the traditional bottle depot. The significant diversification in end-of-life consumer products and packaging being collected at bottle depots began in 2007 with the addition of electronics, followed in 2011 by small appliances and in 2012 by other products such as electronic toys, power tools and lighting. I anticipate that even more types of traditional packaging material will be collected by depots starting in 2014. This diversity is a response to the consumer's clearly expressed desire for the convenience of a "one stop drop" collection facility or, in product stewardship terminology, a multiprogram depot that accepts virtually all stewarded products (except those returned to a retail location in exchange for a replacement product, namely, tires, car batteries, oil filters, etc.).

Our strategy to manage the business ahead of these trends has three (3) key elements:

- 1. Launch two new urban depot formats: Return-It™ MINI with a compact footprint of less than 1,000 square feet; and Return-It™ RVM, a reverse vending machine format with a footprint of less than 250 square feet.
- 2. Offer consumers a Return It™ EXPRESS choice at traditional depots and as the sole option at the MINI depot. With Return-It™ EXPRESS, consumers would be able to "bag and drop" their containers without the requirement for sorting in advance. Sorting would be completed later as would the processing of refunds.
- Retool beverage container handling methods in depots to enable more of the available space and staff time to be used to manage the collection of other stewarded products and packaging.

Encorp Pacific (Canada) 2012 Annual Report

Our goal in offering consumers the choice of EXPRESS service is to dramatically reduce the amount of time consumers must spend at the depot sorting their containers and, during busy periods, waiting in line to receive their deposit refunds. We believe this increase in convenience will encourage even more visits to the depot. An additional benefit will be a reduction in staff time and floor space required to handle beverage containers. Hence the EXPRESS system will enhance beverage container collection while creating opportunities to collect a broader range of stewarded products and packaging.

#### Status of Pilot Tests

The initial consumer testing of the EXPRESS concept will commence this year at an existing Return-It™ depot(s). We intend to pilot test the RVM concept at a new location this year as well.

An option in support of the EXPRESS system is to undertake the counting of the unsorted containers at a central plant location using high speed bar code recognition technology. We have already installed this technology and successfully completed preliminary trials in anticipation of the rollout of the pilot test of the EXPRESS system.

#### Multi Program Return-It™ Depots

The Return-It™ bottle depot is the natural foundation for a multi-program depot. Return-It™ depots are generally well located throughout the province and are visited by consumers on a regular basis to return refundable beverage containers. Each year Encorp makes fee payments of \$50 million to this network creating a solid financial foundation that can support other stewardship programs as appropriate.

In concert with Electronics Products Recycling Association (EPRA) and Canadian Electrical Stewardship Association (CESA), we have identified 75 or more depot locations which are currently under contract to collect Encorp beverage containers, electronics and small appliances. There are opportunities to expand the number of these "one stop drop" locations. Fundamental to the growth in the number of these depots is the principle that each stewardship agency utilizing these shared facilities must pay its full share of the costs to handle the designated products.

For some time certain beer containers (i.e., beer in refillable glass bottles and in aluminum cans covered by the Brewers Distributors Limited (BDL) – approved stewardship plan in British Columbia have been collected by depots from consumers where the payments by BDL or their agents do not compensate the depots for the full costs of handling these products. In some cases no direct payment is offered at all. In these situations, the depot is left with no alternative but to make only a partial refund (i.e. less than the 10 cent deposit paid) to the consumer.

As the consumer appeal of the multi-program depot concept takes hold, the next phase is to expand the range of products taken back under agreement with other stewardship agencies. In particular, there is an opportunity for BDL to expand the number of depots that directly receive payment for collecting beer containers on a full cost recovery basis.

#### New Location(s) in City of Vancouver

There are currently nine depots in the City of Vancouver. Our analysis indicates that there should be at least 14, five more than present, to achieve appropriate levels of consumer convenience. In concert with city staff, we have developed a permitting protocol for 5 STAR Return-It<sup>TM</sup> depots that will further encourage entrepreneurs to come forward with new locations.

#### **CEO Succession**

It has been a privilege serving as the CEO for the past 15 years. Encorp is an amazing company, clearly capable of continuing leadership in environmental stewardship and recycling. My successor will enjoy working with our many partners, our employees and Directors, I know I have.

KSHASTIE

Neil Hastie President & CEO

WHAT DRIVES US

# Thank You for Recycling!



#### Vision

Encorp Pacific (Canada) will be a leader in British Columbia in the design and delivery of a highly effective stewardship program across a targeted range of end-of-life consumer products and packaging.

#### Mandate

Encorp Pacific (Canada) will be the leading stewardship agency in British Columbia with a continuous focus on beverage containers as our core business.

#### Role

Our role as a stewardship corporation is to facilitate brand owner/producer compliance with the Recycling Regulation by organizing recycling programs from collection and transportation through to the final recycling of a variety of end-of-life packaging and products.

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# **ENCORP PACIFIC BUSINESS MODEL**

# Since its inception the Encorp business model has had outsourcing as the key component for delivering on its mandate.

The company has developed and maintained a set of core competencies within a small managerial and administrative team responsible for strategic planning, financial management, consumer awareness, infrastructure development, information technology and public transparency. All other operational activities are delivered through a network of independent contractors such as depot operators, transporters, processors and others. This contract management model allows Encorp to regularly test the market for cost competition without having to support any capital investments of its own.

The advantages of this model include:

Market-based costs – Regular reviews of costs ensure that any recent improvements in efficiency and technology can be exploited.

**Scalability** – Changes in demand can be accommodated rapidly.

Flexibility – Changes in market behaviour can be quickly incorporated under the contract management system.

**Innovation** – New ideas can be tested, assessed and, where feasible, incorporated into the overall business model.

In essence, the Encorp model is similar to that of many manufacturing industries which retain their key strategic strengths in-house but outsource most aspects of producing their products. The flexibility of this model makes it possible for Encorp to continue adapting to changing market trends.

# A LOOK AT THE KEY PRINCIPLES OF THE INDUSTRY PRODUCT STEWARDSHIP MODEL

The Industry Product Stewardship (IPS) model was first set out in the 1997 regulation called Beverage Container Stewardship Program Regulation (BCSPR), Encorp Pacific, originally established in 1994, was reorganized in 1998.

Our new corporate architecture – federal incorporation under Part II of the Canada Corporations Act – was chosen specifically because it met the requirements of this new style of regulation. This federal regulation is being amended, however, with core principles and requirements remaining the same.

In September 2002, the provincial government further codified the principles to be followed in its Industry Product Stewardship Business Plan. In 2004, these principles were carried forward into the Recycling Regulation that replaced the 1997 beverage regulation and all others that existed at that time. The Recycling Regulation is a "framework" regulation enacted to apply to all extended producer responsibility (EPR) programs in British Columbia. Today, there are upwards of 25 approved EPR programs.

#### The key principles are:

Responsibility for waste management is shifted from general taxpayers to producers and users. All brand owners for a particular product category are subject to the same stewardship responsibilities. All consumers have reasonable access to collection facilities.

Programs focus on results and provide brand owners with the flexibility to determine the most cost-effective means of achieving desired outcomes with minimal government involvement.

Programs encourage continued innovation by producers to minimize environmental impact during all stages of the product life cycle, from product design to end-of-life management.

Industry is accountable to both government and consumers for environmental outcomes and allocation of revenues from fees/levies.



## STEWARDSHIP AGENCIES OF BRITISH COLUMBIA



#### Organization

There are currently 16 active multi-producer stewardship organizations operating in British Columbia, with more slated to start operation in the coming years. The increase in product stewardship agencies is primarily due to the BC government's commitment to the Canadian Council of Ministers of the Environment (CCME) Canada-Wide Action Plan. The next two to five years could see a total of 20 to 25 stewardship agencies operating in BC.

Stewards in British Columbia are fortunate in having a flexible, performance-based regulatory framework within which to operate. BC Stewards recognize that with the ability to set fees and have minimal provincial government involvement, in operational details, brings a responsibility to work together.

#### Mission

Without limiting the authority and jurisdiction of each BC Stewardship Agency, the mission of the Stewardship Agencies of British Columbia [SABC] is to:

- Provide a forum for the Ministry of Environment, local governments and BC Stewards to approach each other and engage in dialogue on issues of common interest and concern.
- Provide support to prospective BC Stewards in the development and implementation of their Stewardship Plans.
- Develop policies on issues such as service levels in remote areas.

















- · Develop a one-stop avenue for information brochures, videos and other communication tools to provide a common message to local governments and provide the public with a website and toll-free hotline for finding the nearest collection facility and information on all BC's stewardship programs.
- · Create a forum of support, knowledge and expertise for our members to optimize the delivery of cost-effective and environmentally sustainable stewardship programs in BC.
- Cooperatively work with other provinces and states in North America to minimize the impact and optimize the benefits for brand owner members who operate in most or all of North America.

SABC is organized with an Executive Committee; a secretariat and consumer response contract with the Recycling Council of BC and holds regular meetings with all its members.

#### Deliverables to date:

SABC has actively been providing consumer awareness, educational tools and voluntarily collaborating on a variety of initiatives including:

1. The BC Recycling Handbook - an easy, convenient guide for consumers to find out what and where to recycle products that fall under industry stewardship programs. Along with the handbook we provide a retailer rack card and poster for Multifamily dwelling notice boards.

- 2. www.bcstewards.com a website that has consumer information, posts upcoming events such as consultation meetings, links to every stewards' website and provides a forum for the group to communicate with each other. There is also a direct link to the RCBC Recyclepedia. and the download for the iPhone & android Recyclepedia app, both funded by a subset group of stewards.
- 3. The EPR Video the Industry Product Stewardship model is explained in short video.
- 4. Participated with Stewards from across Canada in the Bi-Annual Conference on Canadian Stewardship to help facilitate the development of stewardship across Canada and to minimize the impact on consumers and brand owner members.
- 5. Developed a service delivery guideline for consideration when developing new Product Stewardship Plans or amending existing plans. The guideline recognizes that over 98% of rural British Columbians live within a 45 minute driving radius of communities with a population of 4,000 residents. Service levels tied to community populations can maximize coverage and create a level playing field for all residents of rural regional districts.
- 6. Seven of the stewards provided funding and expertise to the update, re-design and the new construction of the Science World recycling exhibit. They moved "Our World", the sustainability themed gallery, from its traditional second floor location down to a prime position on the first floor.

















## IT STARTS WITH RESEARCH

#### **Beverage Container Return Study 2012**

We are results oriented. That's why Encorp engages a professional research company each year to survey hundreds of BC consumers to measure their awareness, attitude and behaviour. The results are compared to previous years to measure our progress and are also used as a guide in developing consumer awareness programs.

Our detailed research studies are a valuable tool in our drive to keep recyclable materials out of our landfills.

Data was collected in late November and early December, 2012. A total of 1,839 British Columbians were surveyed. The data was weighted on age, gender, region and education to ensure that the results are representative of the British Columbian general population.

#### Awareness Levels of Container Types

BC residents are generally aware that most beverage containers can be returned for a refund on deposit, especially pop/soft drink, coolers, ciders & premixed alcohol beverage types. Shifts since 2010 are minimal.

#### Research Overview

Data was collected from November 28th to December 6th, 2012. Previous waves were conducted between November 3rd to 18th in 2011, December 2nd to 20th in 2010 and December 1st to 18th in 2009.

Sample was obtained through the Angus Reid Forum, Canada's premier online panel of 100,000 Canadians.

#### Sample Details

A total of 1,839 British Columbians ages 18+ completed the survey, with regional quotas as follows:

REGION	FAMILY TYPE		#COMPLETES	MARGIN OF ERROR
City of Vancouver	Multifamily: Single family:	149 81	230	±6.4%
Rest of Metro Vancouver	Multifamily: Single family:	215 253	468	±4.5%
Fraser Valley/Squamish/Whistler			234	±6.4%
Vancouver Island			224	±6.5%
Okanagan			228	±6.5%
Kootenays			225	±6.5%
Northern BC			230	±6.4%
Total			1,836	±2.2%

# VISIONCRITICAL\*

#### Awareness Levels of Beverage Types

BC residents are generally aware that most beverage containers can be returned for a refund on deposit, especially pop/soft drink, beer and coolers, ciders & pre-mixed alcohol beverage containers. Shifts since 2010 are minimal.

	2012	2011	2010	2009
Any Types of Beverages	100%	98%	n/a	n/a
Any Non-Alcohol	99%	98%	n/a	n/a
Pop/soft drinks	98%	98%	97%	96%
Juice	85%	86%	86%	86%
Water	85%	85%	85%	86%
Sport drinks	80%	78%	78%	80%
Any Alcohol	99%	97%	n/a	n/a
Beer	98%	97%	97%	95%
Coolers, ciders, pre-mixed alcohol bev	92%	91%	90%	88%
Wine	88%	87%	86%	84%
Liquor or spirits	86%	85%	83%	83%

Base: All respondents: 2012 (n=1,839), 2011 (n=1,656), 2010 (n=1,713), 2009 (n=2,083).

Q1. To the best of your knowledge, in British Columbia, can containers with the following beverages be returned for a refund on deposit?

#### **Awareness Levels of Container Types**

Awareness of aluminum cans and glass bottles eligible for a refund on deposit is highest, and both increased compared to last year. However, there is a slight decline for plastic bottles and cartons.

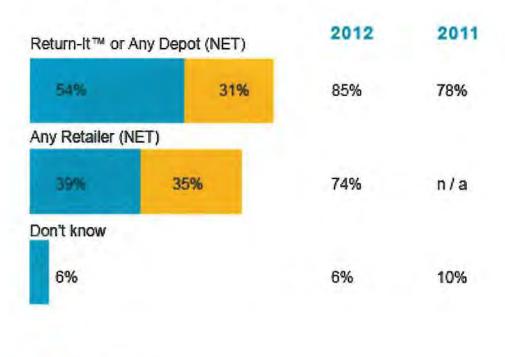
	2012	2011	2010	2009
Aluminum cans	99%	98%	99%	97%
Glass bottles	98%	93%	80%	83%
Plastic bottles	78%	88%	89%	89%
Drink boxes	72%	74%	75%	74%
Cartons	51%	57%	59%	58%

Base: All respondents: 2012 (n=1,839), 2011 (n=1,656), 2010 (n=1,713), 2009 (n=2,083)

Q2. To the best of your knowledge, can the following types of containers be returned for a refund on deposit?

#### Awareness Levels of Places to Return

Grocery stores and Return-It™ depots are top-of-mind for beverage container recycling. Awareness for Encorp Return-It™ Depot continues to increase over time.



First mention
Other mentions

Base: All respondents: 2012 (n=1,839), 2011 (n=1,656), 2010 (n=1,713), 2009 (n=2,083)

Q4. When it comes to the various places you can return beverage containers for recycling or for a refund on deposit, what places come to mind?

#### Market Segmentation

Using cluster analysis to categorize respondents into groups, there were 4 segments that emerged:

#### Non-Recyclers

Try to recycle but usually don't bother; tend to be younger, single and rent multifamily dwellings

#### > Most discards

#### **Enviro-Skeptics**

Feel that the environment and recycling is not of their concern; tend to be older, with families and own homes

#### > Moderate discards

#### **Environmentally Friendly**

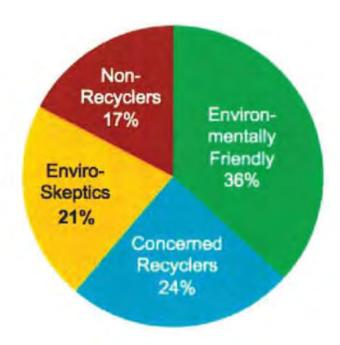
The most environmentally aware and proactive; tend to be urban, single females

> Fewest discards

#### **Concerned Recyclers**

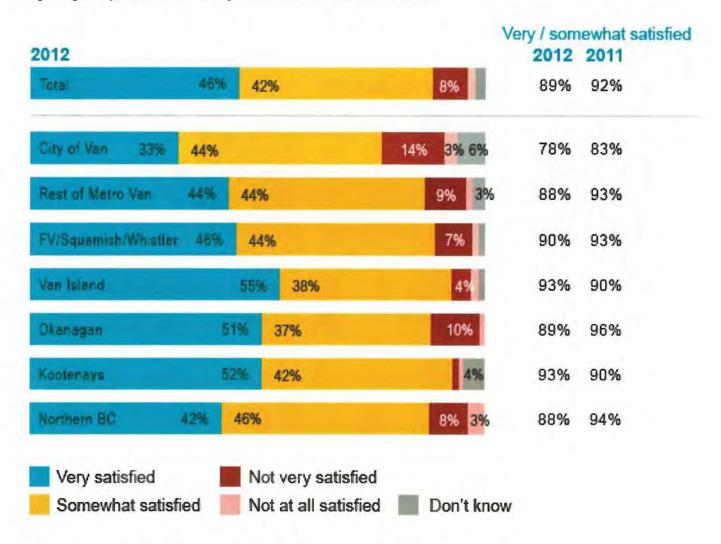
Also concerned with the environment; tend to be males with families

> Moderate discards



#### **Depot Satisfaction Levels**

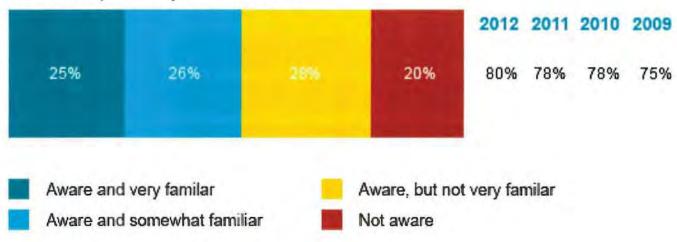
Nine-in-ten British Columbians are satisfied with the bottle depot they visit most often, slightly less than a year ago. Regionally, residents in the City of Vancouver are the least satisfied.



Base: Depot visitors: 2012 [n=1,492], 2011 [n=1,265], 2010 [n=1,157], 2009 [n=1,409] Q17. Overall, how satisfied are you with the bottle depot that you visit most often?

#### **Brand Awareness**

## NET: Encorp / Encorp Pacific / Return-It™



Base: All respondents: 2012 (n=1,839), 2011 [n=1,656), 2010 (n=1,713), 2009 (n=2,083) Q22. How aware and familiar are you with each of the following companies?



# "SPEAKING" OF RECYCLING ...

Every single container that was recycled in British Columbia had the same thing in common: It was brought into the system thanks to a consumer with a clear understanding and appreciation for the value of recycling. We understand to keep consumer awareness and recycling numbers constantly improving, it is important the right messaging reaches the right people. That's why every year we commit a significant budget to encourage consumers to keep returning and recycling containers. Educating consumers is essential – and it's one of the most important jobs we do.

Using our annual research survey as a base, each year we identify who discards the most containers, what kind of containers are being discarded, and where are they most likely to be discarded. That allows us to develop targeted advertising campaigns that reach exactly the right people at exactly the right time. And each year we strive to develop new and creative ways of reaching our consumers both individually and through a mass audience. Methods include advertising, promotions, public relations and community involvement.

2012 was identified as a key year in the evolution of Encorp's consumer awareness programs. Some of the key highlights were:

- A brand new consumer campaign was launched throughout the province
- Soon after launch, Encorp's new mobile website quickly won Platinum in the international 2012 MarCom Awards competition
- A new public spaces recycling program was launched in the City of Vancouver.

Encorp's efforts in continuously raising consumer awareness and recycling numbers are evident in their various advertising tactics.

New Campaign Launch – In 2012, Encorp identified young males aged 18 – 34 as the heaviest discarder of beverage containers. The main reason? Laziness.

A new campaign was needed and the goal was to appeal to the most important thing in a young man's life—his social life. We had to tell young men that by not recycling, their peers would think less of them. Plus, it's a message that could also be appreciated by everyone else—younger, older, male or female. We did this by creating a campaign that visually was appealing to everyone, but written with young males in mind. Who better to express their dissatisfaction at being discarded than the container itself? A set of four puppets were designed and built, each one representing a recyclable container. And each one upset over the fact they hadn't been recycled—so they had come back to judge the one who threw them away.

In addition to TV spots, the characters were found online, in transit stations, on campus, on vending machines, at summer festivals, even in locker rooms at the local gym.

Advertorials – Newspaper advertorials, including an Earth Day version, provided exposure and detailed information about Encorp's activities in local communities where they were distributed.

**Trade Show & Events** – The Encorp branded booth travelled to multiple events over the year. With this booth, the Encorp Ambassador team was able to interact with many new recyclers, and to also communicate the campaign messaging.

**Regional District Calendars** – Encorp includes recycling information in these municipal calendars as they provide ideal context to encourage individuals and families to recycle on a regular basis, right from within people's homes.

**Public Service Announcements with Wesla Wong** 

 Wesla Wong from Global BC hosted four energetic TV spots to help build awareness and recognition of Encorp Pacific.

**Consumer Brochure** – This general brochure includes information on who Encorp Pacific is, what it does as a Product Stewardship Corporation, and other important details for consumers.

5 Star Depot Ads – Encorp's voluntary 5 Star Program has been developed to help increase Return-It™ Depots' used beverage container collection by helping set the highest standards of customer service, cleanliness and overall appeal. Encorp rewards each dedicated depot with a substantial financial benefit and newspaper ad.



## RECYCLING PROGRAMS

The 171 Return-It™ Depots and five mobile collectors across BC recover and recycle approximately 80% of the beverage containers sold in the province. That's almost one billion containers that were kept out of our landfills this past year. But there's always room for improvement. That's why every year Encorp encourages even more beverage container recycling through specialty programs.



#### **Outdoor Spaces Events**

Equally important to recycling at home, is also recycling away from home. Encorp encourages people to do both by having their street team and mascot, Return-It<sup>TM</sup> Man attend major events. In 2012, the team and mascot attended 45 trade shows and outdoor events, over 61 activation days, reaching more than 9,762 people. Key highlights included Festival of Lights, Crankworx, Alcan Dragon Boat Festival, and Surrey Canada Day.



#### School Recycling Program

For 11 years, this program has helped elementary and high schools promote environmental action and also raise money. In the 2012 school year, 288 schools across the province registered in this program. 113,384 students participated in a friendly competition to collect the most containers. More than 2.8 million containers were recycled by students and over \$173,000 in deposit refunds were collected. Plus, an additional \$20,250 in prizes was awarded to the winning schools.



#### **BC Parks Pilot Program**

Expanding on a successful pilot launch in 2009, Encorp continued its efforts towards keeping BC parks clean in 2012 by providing 55 new bear-proof recycle bins to 5 popular BC Parks. This brings the total number of bins to 176 in 14 parks: Rathtrevor Beach, Alice Lake, Wells Gray, Kokanee Creek, Little Qualicum Falls, Cultus Lake, Syringa, Englishman River, Sproat Lake, Paul Lake, Stawamus Chief, Golden Ears, Manning and Goldstream. The parks receive the deposit refunds through these bins, responsible recycling is promoted, and most proceeds are given to their favorite charities. To date, Encorp has contributed 176 recycling bins to the program.

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#### **Open Air Cinemas**

To further encourage people to recycle away from home, Encorp provided recycle bins at Open Air Cinemas throughout the summer of 2012. The Activations Team attended these events in order to reach movie-goers and the spots were also aired on the big screens.



#### Return-It to Win-It™

Encorp's annual Return-It to Win-It™ Depot
Promotion was back in 2012 to increase awareness
of local depots. It also provided incentive for new
customers to visit and for existing customers to visit
more often. Because of the overwhelming success
in 2011, customers once again were given the
opportunity to win a brand new 2012 Smart fortwo.
Another lucky customer won a pair of Vespa Scooters
while a third customer took home a set of brand new
mountain bikes. With over 231,000 ballots submitted
throughout the contest period, once again the contest
proved to be a favourite with customers.



#### **Artist Response Team**

Encorp Pacific is proud to be the first sponsor of The Voices of Nature School Music Program which draws on a library of eco-songs created by the Artist Response Team (ART). The songs are about oceans, rivers, forests, bears, salmon, climate change, endangered species and related social issues.

Voices of Nature is an integrated, cross-curricular, project-based approach to ecological learning through music. ART provides customized rehearsal CDs; students learn songs over 6-12 weeks. Holly Arntzen and Kevin Wright arrive in the school for a 4-day Artist In Residency to rehearse with students. Students write about the issues raised in the songs, and what they believe people can do to help. The culmination is a professional concert for families and friends, where every child is put in a leadership role to sing out and speak up for nature!

The educational foundation is highly developed and effective. Teachers are given ART's award-winning Educators' Handbooks; they provide activities in many subjects that are linked to the song lyrics and fulfill Prescribed Learning Outcomes. Handbooks and CDs are available in English and French, and are Provincially Recommended by the BC Ministry of Education.

## CAPILANO UNIVERSITY UPDATE



Back in the fall of 2011, Encorp Pacific (Canada) partnered with North Vancouver-based Capilano University to launch the Waste Audit pilot project. Our goal was simple: to better understand the recycling habits of post-secondary students, and improve those habits if possible.

Last year, the project evolved from information-gathering to a series of interactive events that helped students recognize the value of resource recovery. Hundreds of students donned safety equipment and analyzed one day of campus waste, educating the campus community about the importance of recycling—and more importantly, about the consequences of not recycling. To raise awareness and encourage participation, an interactive installation of "sample" waste was also displayed in the university's main courtyard.

Judging from the numbers, the pilot project was a huge success. In the Spring of 2012, the Waste Audit recovered a total of 466 refundable beverage containers from the trash. After implementing changes in the placement and quantity of beverage collection containers around campus, that number decreased by 80% in the Fall audit.

Needless to say, that's the kind of success that attracts attention. John Yap, Minister of Advanced Education, Innovation, and Technology and as Minister Responsible for Multiculturalism, visited the campus for the Fall audit, as part of the ongoing events related to Waste Reduction Week in Canada.

Going forward, Capilano will be conducting another Waste Audit in the Fall of 2013. And it won't be the last. The university intends to hold similar audits annually, in order to monitor whether the positive changes and awareness built over the past year have been incorporated into daily practices on campus.

## VANCOUVER PUBLIC SPACES RECYCLING

Vancouver wants to be one of the greenest cities in the world. Last year, Encorp Pacific (Canada) helped the city take a giant step toward that goal.

As part of the city's Greenest City 2020 Action Plan, Encorp partnered with the City of Vancouver and the Vancouver Board of Parks and Recreation to provide dedicated beverage recycling bins across the city. Our goal was to make it easy and convenient for residents and visitors to recycle their beverage containers.

Launched last August, the program saw the installation of 60 new beverage container recycling bins at high-traffic areas, including Kitsilano Beach, English Bay, Stanley Park, Commercial Drive, and many other locations. Each bin will be able to carry an estimated 288 aluminum cans or 150 plastic bottles.

For the design of the bins, we consulted with United We Can, a downtown organization that promotes the collection of recyclables. By giving each bin an open access panel, we were able to support the needs of the United We Can community.

So far, the bins have been a big hit with both our partners and the public alike. Awareness of the program is high, and use is climbing steadily. In August of 2013, Encorp and its partners will conduct a full review of the Vancouver pilot program, assessing its impact and suggesting possible changes and improvements. Those improvements will allow Vancouver's pilot program to serve as a model for similar programs in other B.C. municipalities.

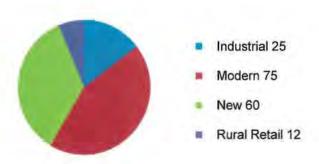


## CELEBRATING SUCCESS

We have record high recognition and record high recovery rates. Encorp's collection network consists of 171 Return-It™ Depots.

Today, this network of privately owned ReturnIt™ Depots operating under license from Encorp
has become the collection network backbone for
many recycling programs. Stewardship programs
for domestic beer containers, residual household
hazardous waste and end-of-life electronics/
electrical equipment all utilize our network. Driven
by the depot owners' increased commitment to
customer service, the depot has become a onestop drop for regulated consumer products and
packaging.

#### Here is an overview of the 171 depots in the network today:



## Here are some of the business metrics for the Return-It™ network:

- Median volume: 5.0 million units of Encorp material + 1.5 million units of Brewers Distributor Limited (BDL) material = 6.5 million total
- Depots share of all collected containers: 91% (9% goes to grocery retailers)
- Depots share of alcohol containers: 84% [16% goes to government liquor stores]
- · Depots collecting electronics: 84
- Total estimated employees: 700 full-time equivalents
- Total Encorp fee for service payments to depots: \$51.4 million/year



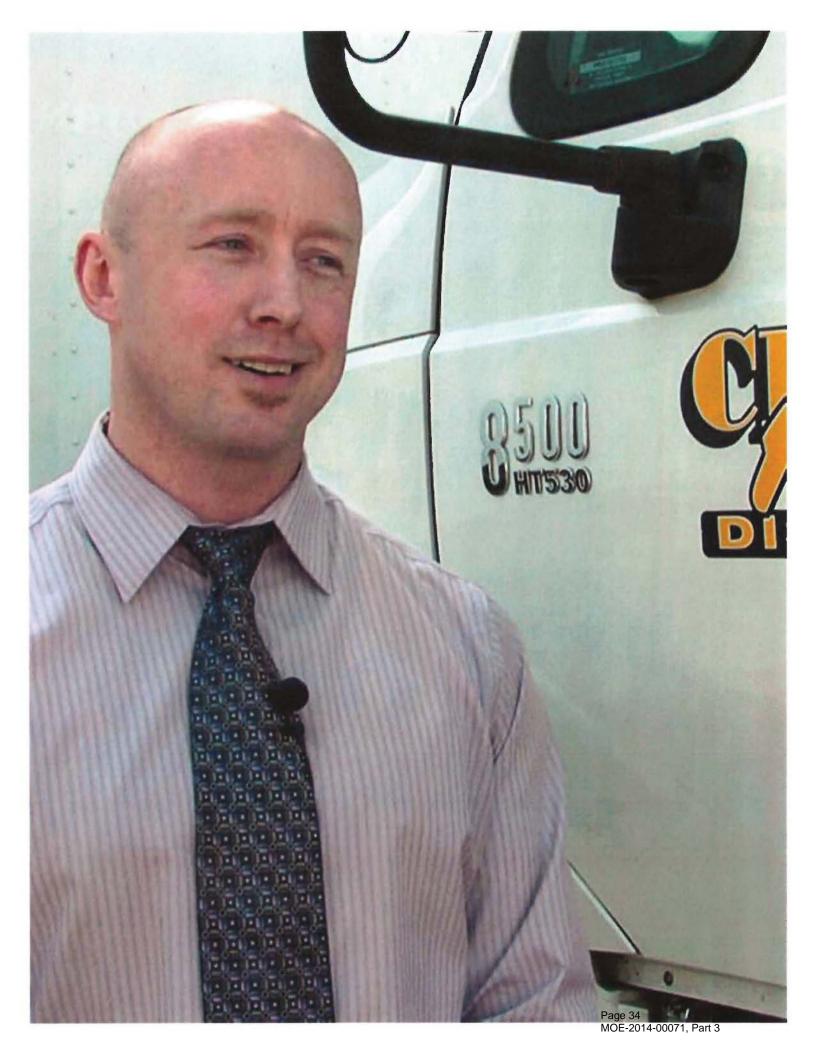
## **EVERY DEPOT TELLS A STORY**

When Jay Son got a call from Encorp back in 2010, he was more than a little excited. Here was a chance to start something brand-new: a new recycling business, in a completely new location. And so it was that Panorama Village Return-It™ Depot was born.

Jay remembers that at the time, there wasn't much of anything in the area—a few stores, some and residential development. That's changed. Now, Jay's 5-Star Depot is located in the middle of a fast-growing community that's growing by leaps and bounds.

Jay reports impressive growth since the Depot's opening. The secret to this success? A super-clean, convenient location along with a "service-first" approach. Even though his business is recycling, Jay believes in treating his customers like royalty. We couldn't agree more.





## GOING WITH THE FLOW

Encorp keeps the system moving through productive relationships with 33 transporters who move material into 17 central processing sites.

Encorp has a solid group of transportation partners, many of which have been working with Encorp since 1994.

Encorp's transportation contractors have seen some positive improvements in how materials are handled as well as changes to Encorp processors over the last year. We have seen transportation and handling efficiencies with the continued roll out of "Big Bags". "Big Bag" shipping container holds over 1800 beverage containers per large bag. Further, some of our transportation companies have gained efficiencies based upon new processor contract arrangements that have been signed over the last year.

Fuel prices have remained relatively stable over the long term, although with periodic fluctuations. We continue to monitor fuel price impact on our transportation network. Our overall spending on transportation services was \$16 million in 2012 with \$4 million allocated to electronics.

Through 2012, transportation delays continued in the Metro Vancouver region due to ongoing highway and road construction. With the completion of the new Port Mann Bridge we have not seen a reduction in traffic volumes. Much of the traffic has diverted around paying bridge tolls, impacting other non-toll bridges across the Fraser River. Traffic volume issues continue in and around the Metro Vancouver region in local areas.

On Vancouver Island, transportation delays are minor with the exception of some major bridge construction in the Downtown Victoria area, impacting transportation routes in peak travel times.

Encorp continues to work with our transportation and depot partners to look at alternative times to run transport routes, assist in depot relocations to make it easier to pick up at relocated depots, as well as continue to work with depot operators for lengthening hours of pick up at these locations.

Dave Dugan has been fascinated by trucks and trucking since he was old enough to remember. So when his father started Central Island Distributors (CID) way back in 1991, Dave knew working for the family business was his destiny.

Originally, CID was involved in distributing beer for some of the smaller breweries on the Island. The company also operated a small bottle depot as a side business. When Encorp formed in 1994, CID was one of the first operators to join the Encorp family.

Today, CID is Encorp's transporter of choice on Vancouver Island. Based in Nanaimo, the company's trucks travel all the way from Victoria right up to Campbell River, transporting everything from used beverage containers to plastic and aluminum to end-of-life electronics—amounting to almost 15,000 metric tonnes of recyclables a year.

## COMMITTED TO QUALITY



Encorp's Quality Assurance site has been using the Anker Andersen (AA) equipment from Denmark, which is a high speed automated sorting machine dedicated to counting used beverage containers. Building on the successful implementation and use of the AA equipment, Quality Assurance continued using technology to increase the integrity of Quality Assurance. A sorting component was added to the AA equipment. The sorting component provided the

ability to sort out non-cylindrical used beverage containers and other containers that could not be passed through the AA equipment.

The sorting component uses conveyors, bar code scanners, light curtain and PLC technology to keep track of the audits and counts. These additions further the continuing automation, reducing human errors and continued integrity of our QA site.





## A BUSINESS MODEL THAT WORKS



Encorp was established in 1994 to recover and recycle deposit-bearing beverage containers. This remains Encorp's core business interest.

The flexibility of the Industry Product Stewardship model, however, permits the addition of other product recycling programs, providing they meet key business case requirements:

Additional services should complement and not interfere with Encorp's core business.

Each contract must provide some benefit to existing brand owners – typically through the sharing of overhead costs.

Each additional program must be completely self financing.

Under service provider contracts, Encorp does not assume product stewardship agency responsibilities as defined under provincial legislation.

In 2007, Encorp undertook two service provider contracts that met the above criteria: RETURN-IT ELECTRONICS™ and RETURN-IT MILK™.









#### RETURN-IT ELECTRONICS™

The program is operated by Encorp under contract from the EPRA BC, Electronic Product Recycling Association, British Columbia, which is the product stewardship agency for electronics. EPRA produces a public annual report on the program that can be viewed at www.esabc.ca

Electronic Products Recycling Association (BC)

Under a contract with EPRA (BC), Encorp has operational management of a system that collects, and transports to recyclers, End-of-Life Electronics (EOLE) covered by the provincial regulation. At the end of 2012, there were over 143 permanent sites throughout the province to which consumers and businesses could return designated EOL electronics at no charge; up from 125 in 2011.

#### RETURN-IT MILK™

Since Encorp depots already accept beverage containers, adding milk and soy containers was a natural fit.

#### BC Dairy Council (BCDC)

The contract with BCDC covers a voluntary (non deposit) recovery system for all milk and soy beverage containers. At the end of 2012, there were 165 Encorp depots that accept milk and soy jugs and cartons. Although the Return-It Milk™ program is not covered by provincial regulation, and BCDC is not a product stewardship agency, it does produce an annual public report on the program's results, which can be found at www.milkcontainerrecycling.com

## **HOW THE COLLECTION SYSTEM WORKS**

Consumers take their empty containers to a variety of places to collect the deposit refund, and the ensure they are recycled.

#### **EMPTY NON-ALCOHOL CONTAINERS**

## EMPTY ALCOHOL CONTAINERS (except domestic beer bottles and beer cans)





CORNER STORE

**RETURN-IT DEPOT** 

GOVERNMENT LIQUOR STORE

SUPERMARKET



0.4%



91.5% NON-ALCOHOL

85% ALCOHOL



15%



8.1% NON-ALCOHOL







**BI-METAL** 



**PLASTIC** 



GLASS



POLYCOAT





#### ALUMINUM To a remelt facility in the US

New Aluminum Cans

#### BI-METAL

To a scrap metal processor in Vancouver

Rebar and Wire Fencing

#### PLASTIC

To plastic recycling plants in Calgary and Vancouver

Various plastic products including new containers, strapping material and fibres.

#### GLASS

To glass recycling plants in BC, Alberta and Washington State

Wine Bottles, Fibreglass Insulation and Sandblasting Material

#### POLYCOAT

To a paper recycling mill

New Cardboard Boxes and Toilet Tissue

## ENCORP PACIFIC ENVIRONMENTAL REPORT

The Government of British Columbia has adopted public policies intended to promote a low carbon economy. As a stewardship agency operating under a provincial regulation, Encorp has an opportunity to disclose the impacts of its stewardship activities. In addition to informing our stakeholders, our benchmarking of our greenhouse gas emissions opens a window for improved efficiency and the potential to reduce energy consumption in the future. We believe there is a sound business case for these initiatives.

#### Avoided Greenhouse Gas Emissions from Recycling

In 2012, Encorp collected and recycled over 88,000 metric tonnes of used beverage containers. The energy saved through the recycling of materials collected by Encorp has been converted into tonnes of carbon dioxide equivalent (CO2e) (the common measure of greenhouse gases (GHGs)), based on the US Environmental Protection Agency's Waste

Reduction Model (WARM). The model calculates net emission reductions based on the average distribution of fuels consumed along the entire lifecycle production process <sup>1</sup>.

The avoided emissions published in this report were calculated using the up-to-date WARM v.12 that has several emission factors revised to reflect the updated life cycle data as well as factors in industry specific electricity grid mix assumptions for plastic and aluminum containers. As the models improve each year, Encorp would restate the prior year avoided emissions using the updated WARM model to track performance against the base line chosen. In total, Encorp's activities in 2012 contributed to the reduction of about 94.3 thousand tonnes of CO2 equivalent being released into the atmosphere, a slight decline of 0.4 thousand tonnes from the 2011 numbers. This came as a result of the slight decrease in weight of material collected due to the decline in beverage sales in 2012 from 2011.

Material	% Energy Savings from Use of Recycled Inputs for Manufacturing of Material	2012 tonnes CO2 equivalent reduced	2011 tonnes CO2 equivalent reduced (restated Note 1)
Aluminum	92%	49,469	50,159
Plastic	87%	12,242	11,873
Pouches/Bag-in-Box	53%	1,093	1,017
Glass	34%	24,460	24,698
Bi-Metal	82%	523	384
Polycoat	53%	6,529	6,596
Total		94,316	94,727

#### Greenhouse gas emissions associated with Encorp's stewardship activities

While recycling has an overall net benefit in terms of energy and emissions savings, the recycling process itself does require energy and thus has GHG emissions associated with it. While the Waste Reduction Model does factor in the typical energy use associated with recycling when estimating net savings, Encorp has committed to specifically estimating the GHG emissions associated with its stewardship activities. By doing so, we hope to identify ways in which we can minimize our carbon footprint.

Since Encorp is not a manufacturing company, the majority of our associated GHG emissions come as a result of transporting materials as well as heating and powering our network of facilities. Therefore, we define Encorp's GHG inventory boundary from the point that empty containers enter into the Encorp system at either a depot or retailer, to when the materials are delivered to the end processors for recycling into new products. Emissions were estimated using conversion factors and methodologies developed by the World Resource Institute's Greenhouse Gas Protocol.

The services provided to Encorp are done through third party independent contractors and the emissions produced by these activities are classified as Indirect Scope 3 GHG emissions in accordance with the World Resource Institute's Greenhouse Gas Protocol. With limited data availability for Scope 3 emissions we accept that data accuracy is lower.

#### Accounting and Reporting on Scopes

Consistent with prior years, emission calculations from purchased Electricity were based on a survey of a number of depots and processors in each Region. These depots and processors were asked to provide their purchased electricity and natural gas consumption during the year. The sample was

used to estimate the energy use per metric tonne of material collected which then was extrapolated to the total weight of used beverage containers collected in the Province.

The estimated energy consumption in KwHs was then converted into the carbon dioxide emissions using the calculators offered by the Greenhouse Gas Protocol.

In 2012, we used the British Columbia electricity intensity factors retrieved from Table 3 of the Ministry of Environment's methodology for reporting B.C. public sector greenhouse emissions to calculate emissions from the purchased electricity to better reflect the proper mix of the public utilities in BC<sup>3</sup>. Therefore, we have restated the GHG emissions of 2011 for better comparison. We continued reporting on other GHG gases [CO2, CH4 and N20] in the calculation to provide reporting on the CO2 equivalent [CO2e] to better match the reported emissions avoided into the atmosphere as a result of our recycling activities.

#### **Emissions Sources Exclusions**

Emissions associated with heating and powering the Encorp head office are not included in the GHG inventory since the office is part of a shared lease facility for which heat and power is controlled centrally by the landlord.

Staff commuting to work in personal cars was excluded as this is considered to fall under the personal carbon footprint of the employee and Encorp has little control over where people choose to live.

Finally, emissions associated with the handling of materials outside of Encorp's core stewardship activities of deposit bearing beverage containers, such as electronics, were excluded since such activities fall outside the scope of Encorp's core recycling stewardship activities for BC.

## **ENCORP PACIFIC ENVIRONMENTAL REPORT**

#### **Emissions Inventory Summary (tonnes CO2)**

T 15		
Type of Emission		
<u>Direct emissions</u> are emissions from sources that are owned or controlled by Encorp Employee travel – gas use	28	37
<u>Indirect emissions</u> occur as a consequence of the activities of Encorp, but are from source controlled by Encorp. Inclusions are emissions from purchased electricity consumed by Edepots, processors and transporters, as well as the transportation of the beverage contain transporters. <sup>2</sup> .	ncorp of	fices,
Offices (excluding head office)		
Purchased electricity in leased buildings	4	5
Employee domestic air travel	10	16
Depots		
All purchased electricity in owned or leased buildings	120	107
All natural gas consumed in owned or leased buildings	74	82
Processors		
All purchased electricity in owned or leased buildings	58	54
All purchased gas consumed in owned or leased buildings	7	7
Transportation – depots to processors		
	3,910	4,149
Transportation – processors to end markets	0.452	3.523
Diesel fuel	1,212	1,274
Rail (based on metric tonne km)	370	366
Sea Cargo (based on metric tonne km)	4,354	4,483
Total Emissions all sources	,174	10,580

<sup>&</sup>lt;sup>1</sup> US EPA, Waste Reduction Model, Version 12 (02/12); US EPA, Solid Waste Management and Greenhouse Gases (Exhibits 2-3 to 2-6) were used to calculate 2012 avoided emissions of CO2.

<sup>&</sup>lt;sup>2</sup> All indirect emissions except for Office use were calculated based on the sample data provided by selected Depots, Processors, and Transporters.

<sup>&</sup>lt;sup>3</sup> Electricity intensity table for B.C. was referred from 2012 B.C. best practices, methodology for quantifying greenhouse gas emissions including guidance for public sector organizations, local governments http://www.env.gov.bc.ca/cas/mitigation/pdfs/bc-best-practices-methodology-for-quantifying-greenhouse-gas-emissions.pdf

"Encorp's environmental reporting is outstanding. The information is relevant and concise and the presentation is user-friendly and easy to navigate. The reports are useful at many levels and really help clarify the real purpose of the beverage container recycling program."

Alan Stanley, Director of Environmental Services at Regional District of Kootenay Boundary

#### Carbon Data Collection and Management

Encorp will continue working on improving the data collection process from all its suppliers to improve accuracy of the reporting for Scope 3 GHG emissions as well as refining its GHG measurement standards and methodologies.

## **GOOD FOR ALL OF US**



#### Aluminum

Aluminum is the most valuable commodity collected by Encorp. Baled aluminum cans are sent to a major re-melt facility and turned back into sheet stock for new cans.



#### Glass

Encorp Pacific (Canada) processing on Vancouver Island and in Prince George region went through a Request for Proposal process. The outcome was a change in how Encorp glass on Vancouver Island and Encorp non-glass in Prince George are managed. In Victoria, the existing glass processor, Emterra Environmental continued to process glass for Encorp. The crushed glass continue to be shipped to Vitreous in Alberta where it will be recycled into glass sand for producing fibreglass insulation material.

In Nanaimo, the glass processing was awarded to United Concrete & Gravel Ltd. in Abbotsford. Glass mega bags are cross docked at the transporter and shipped to UCG in Abbotsford. At UCG, the glass are emptied out of the mega bags and color sorted. The glass is shipped to e-cullet in Seattle, where it will be recycled into new glass bottles.

In Prince George, Cascades Recovery, which had already been handling Encorp glass product, was awarded the non-glass processing. The change in processor provided improved efficiencies in processing and with the transporters.



#### Plastic

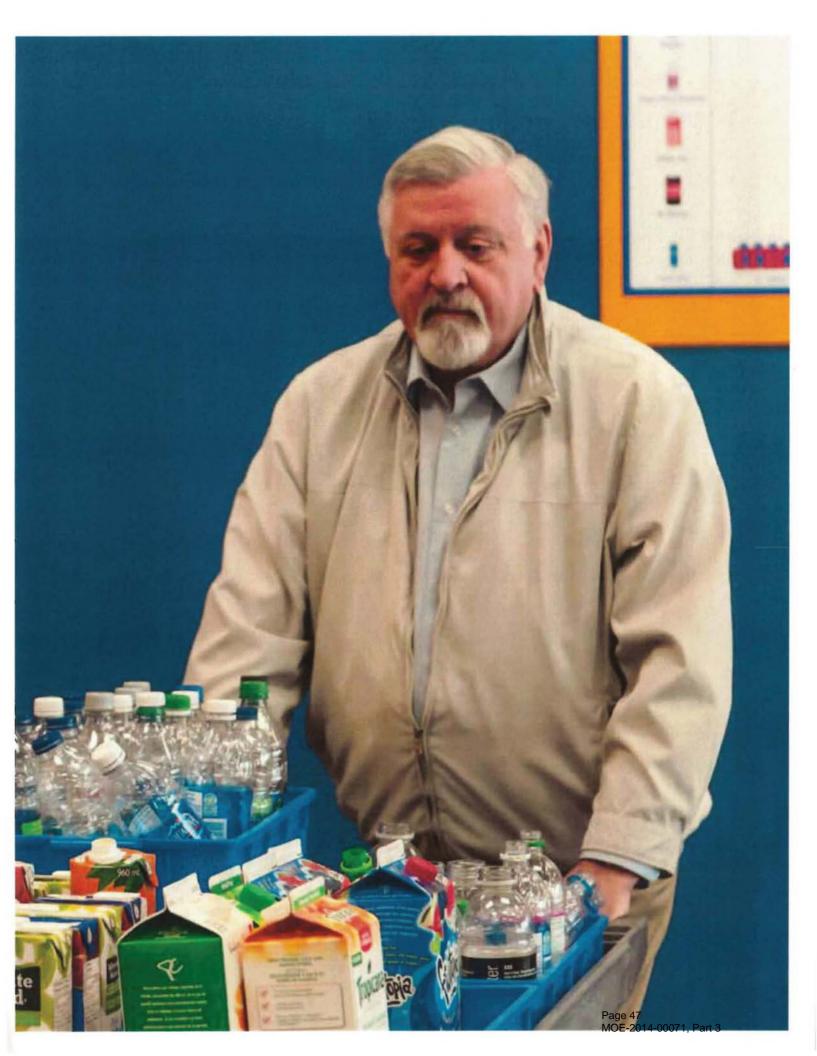
The two key plastic resins collected by Encorp, PET and HDPE, are sent to separate facilities to be cleaned and pelletized for sale into the open market End uses for these plastics include new containers, strapping materials and fibres. Encorp has signed a multi-year contract with Merlin Plastics to ensure long-term markets for these commodities.



#### Polycoat

Drink boxes and gable top cartons continue to be sold into markets primarily in Asia. The high quality paper fibre that comprises the bulk of these containers is recovered and used to make cardboard boxes and tissue paper.





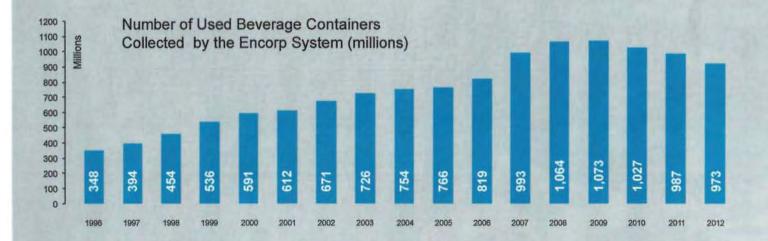
## **RECYCLING BY NUMBERS**

In 2012, Encorp Pacific (Canada) recovered just under one billion containers and continued to demonstrate why we are one of the most effective industry product stewardship corporations in North America.

973

Millions Containers Collected

78.7% Recovery rate



Encorp Pacific (Canada) 2012 Annual Report

Туре	Contain	ers Sold	Containers % Reco Recovered Rate				es of rial	Rate by		
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Aluminum	438,695,423	430,987,552	360,293,697	361,675,086	82.1%	83.9%	5,026	5,096		
Plastic ≥ 1L	370,779,045	368,331,888	271,113,400	269,691,474	73.1%	73.2%	6,694	5,812		
Plastic > 1L	63,625,7.76	66,029,546	54,360,230	58,058,049	85.4%	87.9%	3,497	4,081		
Plastic Liquor ≤ 1L	10,606,658	10,749,166	8,920,451	8,989,360	84.1%	83.6%	401	355		
Plastic Liquor > 1L	4,197,899	3,982,110	3,849,007	3,678,719	91.7%	92.4%	292	307		
Plastic	449,209,378	449,092,709	338,243,088	340,417,602	75.3%	75.8%	10,884	10,555		
Glass ≥ 1L	26,915,497	29,506,414	21,739,255	23,833,807	80.8%	80.8%	7,044	7,009		
Glass > 1L	101,281	147,396	143,497	171,979	141.7%	116.7%	158	180		
Glass NRBC ≤ 1L	93,530,107	96,948,756	93,487,587	96,803,996	100.0%	99.9%	20,389	21,401		
Glass NRBC > 1L	425,693	462,419	393,936	429,743	92.5%	92.9%	259	233		
Glass W&S ≤ 1L	75,483,285	73,022,080	69,090,185	67,473,957	91.5%	92.4%	34,459	33,942		
Glass W&S > 1L	11,077,929	11,458,982	10,184,677	10,552,800	91.9%	92.1%	7,702	7,927		
Glass	207,533,792	211,546,048	195,039,137	199,266,282	94.0%	94.2%	70,011	70,692		
Bi-Metal ≥ 1L	5,390,484	3,211,863	3,333,842	2,340,382	61.8%	72.9%	193	122		
Bi-Metal > 1L	787,626	862,953	437,762	459,214	55.6%	53.2%	65	67		
Bag-in-Box				-						
Other Metals	6,178,110	4,074,816	3,771,604	2,799,596	61.0%	68.7%	258	189		
Pouches	7,313,005	8,616,083	3,606,795	4,345,312	49.3%	50.4%	21	26		
Drink Box ≥ 500 mL	88,014,911	93,509,617	45,200,414	51,073,805	51.4%	54.6%	507	540		
Drink Box 501 mL - 1L		22,721,342	16,650,493	17,264,153	72.7%	76.0%	711	724		
Gable Top ≥ 500 mL	647,516	996,731	218,226	295,354	33.7%	29.6%	3	4		
Gable Top 501 mL - 1L		879,828	212,427	268,785	17.7%	30.5%	8	9		
Gable Top > 1L	12,688,758	12,201,353	8,825,976	8,621,796	69.6%	70.7%	705	676		
Polycoat	125,447,501	130,308,871	71,107,536	77,523,893	56.7%	59.5%	1,934	1,954		
Bag-in-Box Liquor	2,731,556	2,556,327	1,265,221	1,158,754	46.3%	45.3%	303	275		
Totals	1,237,108,765	1,237,182,406	973,327,078	987,186,525	78.7%	79.8%	88,436	88,788	88.6%	89.3%

# REGIONAL WEIGHTS AND PER CAPITA CONTAINER RETURNS

In 2012, decreased beverage sales across BC resulted in decreased per capita returns

Returns by Region Summary. Alcohol and Non-Alcohol containers: January - December 2012

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan Dec. 2012 Per Capita	Jan Dec. 2011 Per Capita
								40.00	
Bulkley / Nechako	Units(000)	4,632	3,701	1,128	670	54	10,184	259.0	250.7
Bulkley / Nechako	Tonnes	64.6	112.3	401.9	14.8	3.4	597.0	15.2 kg	15.1 kg
Cariboo	Units(000)	7,381	5,824	2,280	1,134	106	16,725	254.3	249.7
Cariboo	Tonnes	103.0	182.3	773.2	24.6	7.4	1,090.6	16.6 kg	16.2 kg
Central Coast	Units(000)	297	155	78	48	5	583	180.9	188.0
Central Coast	Tonnes	4.1	5.4	31.1	1.1	0.2	41.9	13.0 kg	14.8 kg
Fraser - Fort George	Units(000)	11,668	9,954	3,947	1,966	147	27,683	284.1	282.9
Fraser - Fort George	Tonnes	162.8	304.8	1,300.4	45.8	9.3	1,823.0	18.7 kg	18.7 kg
Kitimat - Stikine	Units(000)	4,655	3,628	923	716	79	10,001	248.2	237.3
Kitimat - Stikine	Tonnes	64.9	111.9	350.8	16.9	4.1	548.7	13.6 kg	13.2 kg
Skeena - Queen Charlotte	Units(000)	2,777	1,862	692	350	37	5,718	295.1	295.1
Skeena - Queen Charlotte	Tonnes	38.7	59.0	254.0	8.2	2.3	362.2	18.7 kg	18.0 kg
Northern Rockies	Units(000)	1,134	1,627	196	167	0.2	3,127	489.5	428.5
Northern Rockies	Tonnes	15.8	42.6	63.3	3.1		125.1	19.6 kg	18.3 kg
Peace River	Units(000)	6,874	6,753	2,187	978	94	16,886	255.2	256.8
Peace River	Tonnes	95.9	200.3	712.3	23.8	3.9	1,036.3	15.7 kg	15.9 kg
Capital Regional District	Units(000)	29,744	25,734	19,504	5,153	531	80,666	214.3	220.9
Capital Regional District	Tonnes	414.9	869.8	7,163.4	166.8	54.6	8,669.5	23.0 kg	23.5 kg
Cowichan Valley	Units(000)	9,156	6,847	3,525	1,340	174	21,042	251.9	254.8
Cowichan Valley	Tonnes	127.7	223.3	1,340.7	35.7	14.1	1,741.5	20.8 kg	21.0 kg
Alberni / Clayoquot	Units(000)	4,053	3,011	1,460	486	70	9,081	287.8	290.1
Alberni / Clayoquot	Tonnes	56.5	95.7	534.3	13.8	4.6	704.9	22.3 kg	22.5 kg
Comox	Units(000)	6,999	5,408	3,170	1,118	124	16,818	258.5	258.7
Comox	Tonnes	97.6	177.7	1,203.4	32.3	12.6	1,523.6	23.4 kg	23.4 kg
Mount Waddington	Units(000)	1,548	1,016	412	192	9 1.6	3,177	269.8	276.4
Mount Waddington	Tonnes	21.6	32.9	157.1	4.6		217.8	18.5 kg	19.0 kg
Nanaimo	Units(000)	12,547	10,769	7,408	1,943	251	32,918	217.3	221.5
Nanaimo	Tonnes	175.0	355.1	2,671.2	59.3	27.1	3,287.6	21.7 kg	22.0 kg

## Units (000) Tonnes Per Capita Totals (units) Per Capita Totals (kg)

973,327 88,436.3 210.6 19.1

Region Name		Aluminum	Plastic	Glass	Polycoat	Other	Total	Jan Dec. 2012 Per Capita	Jan Dec. 2011 Per Capita
Strathcona	Units(000)	3,037	2,170	1,235	443	54	6,938	155.6	151.5
Strathcona	Tonnes	42.4	71.0	465.4	12.6	5.7	597.2	13.4 kg	13.2 kg
Greater Vancouver	Units(000)	151,828	156,331	95,741	36,028	5,163	445,091	182.1	189.4
Greater Vancouver	Tonnes	2,118.0	5,053.7	34,324.1	988.3	283.4	42,767.5	17.5 kg	18.0 kg
Fraser Valley	Units(000)	27,167	23,542	10,177	5,531	587	67,005	232.0	234.3
Fraser Valley	Tonnes	379.0	761.4	3,518.8	133.1	32.1	4,824.4	16.7 kg	16.5 kg
Powell River	Units(000)	1,897	1,335	792	261	33	4,317	210.1	219.1
Powell River	Tonnes	26.5	44.9	304.3	7.5	4.1	387.2	18.8 kg	19.3 kg
Squamish - Lillooet	Units(000)	3,464	3,760	4,139	576	68	12,008	283.0	273.2
Squamish - Lillooet	Tonnes	48.3	120.3	1,464.9	17.2	4.6	1,655.5	39.0 kg	35.7 kg
Sunshine Coast	Units(000)	2,212	1,871	1,798	382	52	6,315	206.4	213.5
Sunshine Coast	Tonnes	30.9	64.1	681.5	12.3	7.2	796.0	26.0 kg	26.4 kg
Central Okanagan	Units(000)	16,256	15,901	9,486	3,349	250	45,243	240.0	246.3
Central Okanagan	Tonnes	226.8	506.2	3,510.3	85.9	26.4	4,355.6	23.1 kg	23.2 kg
North Okanagan	Units(000)	9,727	9,624	4,195	1,895	145	25,586	307.1	311.4
North Okanagan	Tonnes	135.7	313.9	1,493.9	56.3	14.0	2,013.8	24.2 kg	24.4 kg
Okanagan - Similkameen	Units(000)	7,871	7,312	4,427	1,228	129	20,965	252.9	258.2
Okanagan - Similkameen	Tonnes	109.8	235.7	1,704.3	33.6	14.7	2,098.2	25.3 kg	25.4 kg
Columbia Shuswap	Units(000)	5,216	5,129	3,072	778	64	14,258	266.0	263.1
Columbia Shuswap	Tonnes	72.8	157.9	1,033.6	21.1	7.0	1,292.4	24.1 kg	23.6 kg
Thompson - Nicola	Units(000)	14,440	13,404	6,192	2,373	210	36,619	276.5	279.2
Thompson - Nicola	Tonnes	201.4	413.5	2,114.2	58.2	18.1	2,805.4	21.2 kg	21.5 kg
Central Kootenay	Units(000)	4,747	3,472	2,832	735	90 9.0	11,876	195.0	207.0
Central Kootenay	Tonnes	66.2	115.6	992.4	20.9		1,204.2	19.8 kg	20.6 kg
East Kootenay East Kootenay	Units(000)	6,011	5,671	2,917	801	72	15,473	255.9	264.4
	Tonnes	83.9	175.2	1,027.3	22.7	5.7	1,314.7	21.7 kg	22.2 kg
Kootenay Boundary	Units(000)	2,954	2,431	1,125	466	48 4.5	7,024	220.3	220.7
Kootenay Boundary	Tonnes	41.2	77.2	418.6	12.8		554.3	17.4 kg	17.5 kg

## **FOLLOW THE MONEY**

#### Commodity Prices and their Impact on Encorp

A portion of the cost of recovering aluminum and plastic containers, the two largest product categories, is covered by the value of the commodity collected. The prices received for these commodities are subject to market forces, and variations can have a significant financial impact on Encorp.

In 2012, the commodity prices declined from 2011but remained relatively strong for both aluminum and plastic at US\$0.71 and US\$0.25 per pound respectively.

#### Deposit Refunds

Paid to depots and grocery retailers to reimburse them for the deposits they have refunded to consumers.

#### Container Handling Fees

Per-unit fees paid, in addition to deposit reimbursement, to depots for collecting containers.

#### Transportation & Processing

Contracted trucking companies collect containers from depots and grocery retailers and take them to processors where they are compacted for shipment.

#### Consumer Education & Awareness

Programs that encourage consumers to return containers for recycling.

#### Administration

Management of contracts, collection of revenues and payment of expenses.

#### **Unredeemed Deposits**

Encorp is paid a deposit on every container sold. Deposits unclaimed are used as revenue.

#### Sale of Processed Containers

All the collected aluminum, plastic, glass, etc. is sold on the open market.

#### **Container Recycling Fees**

When the revenue from unclaimed deposits and from sales of collected material are insufficient to cover the cost of recovering and recycling a specific container type, a non-refundable recycling fee is added to the container to make up for the shortfall.

#### Other Fees

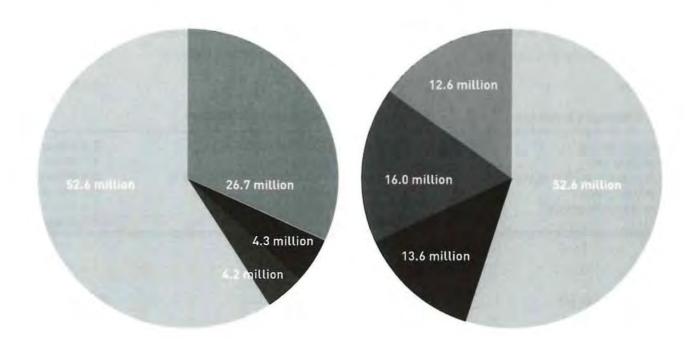
Revenues from service provider contracts.

# Where the money is spent EXPENDITURES

Operations Expenses: 26.7 million
Handling Fees: 52.6 million
Consumer Awareness: 4.3 million
Administration Expenses: 4.2 million

## Where the money comes from REVENUES

Unredeemed Deposits: 16.0 million
Sale of Processed Containers: 13.6 million
Other Fees and Income: 12.6 million
Container Recycling Fees: 52.6 million



## FINANCING THE SYSTEM





### Plastic ≤ 1L Account

Deposits	18.6 Million
Sale of Collectible Material	3.6 Million
CRF	11.1 Million
Other Revenue	0.1 Million
Total Revenue	33.4 Million
Total Expenses for this Container	33.1 Million
Surplus	0.3 Million

#### **Total Expenses Breakdown**

	33.1 Million
Consumer Awareness	0.9 Million
Administration	0.9 Million
Transportation and Processing	3.9 Million
Handling Fee	13.8 Million
Deposit Refund	13.6 Million

## Wine & Spirits ≤ 1L Account

Deposits	7.6 Million
Sale of Collectible Material	0.0 Million
CRF	11.3 Million
Other Revenue	0.0 Million
Total Revenue	18.9 Million
Total Expenses for this Container	16.9 Million
Surplus	2.0 Million

#### Total Expenses Breakdown

	16.9 Million
Consumer Awareness	0.1 Million
Administration	0.3 Million
Transportation and Processing	5.4 Million
Handling Fee	4.3 Million
Deposit Refund	6.8 Million

Surplus end of 2011	\$8.2 Million
Surplus 2012	\$0.3 Million
Surplus end of 2012	\$8.5 Million

Note: based on 2012 Financial Statements Note: based on 2012 Financial Statements



## **Aluminum**

Deposits	21.9 Million
Sale of Collectible Material	7.8 Million
CRF	5.4 Million
Other Revenue	0.1 Million
Total Revenue	35.2 Million
Total Expenses for this Container	35.3 Million
Deficit	(0.1) Million

### Total Expenses Breakdown

	35.3 Million
Consumer Awareness	1.0 Million
Administration	1.1 Million
Transportation and Processing	2.8 Million
Handling Fee	12.4 Million
Deposit Refund	18.0 Million

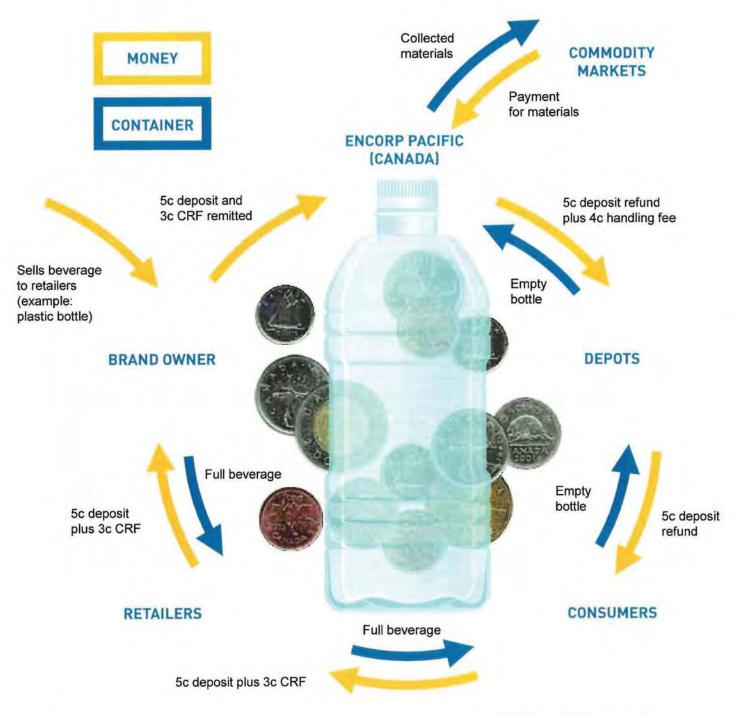
Surplus end of 2011 \$9.8 Million
Deficit 2012 [0.1] Million
Surplus end of 2012 \$9.7 Million

Note: based on 2012 Financial Statements



## **HOW MONEY FLOWS**

The arrows show the direction of payments for deposits and container recycling fees (CRF) and the movement of a plastic bottle.





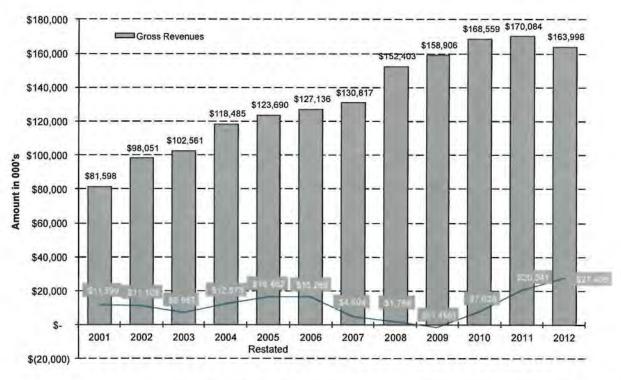
## PURPOSE OF OPERATING RESERVES

After all expenses are paid any funds remaining are placed into reserves. Encorp acts as a clearinghouse for the funds required to reimburse consumers for deposits and pay the costs of running the system. Encorp strives to maintain a minimum level of reserves to maintain the system's financial viability over the long term. If these reserves build up beyond reasonable levels, actions are taken to bring them back into line.

These actions can include reduction or elimination of Container Recycling Fees until the reserve is reduced.

Or we can reduce the reserve by increasing spending on activities designed to improve the recovery rate for a specific container type. The table shows the changes in the reserves over the past years.

#### Encorp Pacific (Canada) Total Revenue vs Reserves Year 2001 - 2012



	2009 YEAR	2009 BALANCE	2010 YEAR	2010 BALANCE	2011 YEAR	2011 BALANCE	2012 YEAR	2012 BALANCE
Operating								
Reserve /(Deficit)	\$[1,779,477]	\$(5,735,292)	\$11,118,757	\$5,383,465	\$13,432,676	\$18,816,141	\$7,397,210	\$26,213,351
Restricted								
Reserve/ [Deficit]	[1,444,715]	4,277,304	(2,032,624)	2,244,680	(720,123)	1,524,557	(329,637)	1,194,920

Total

Reserve/(Deficit) \$(3,224,192) \$(1,457,988) \$9,086,133 \$7,628,145 \$12,712,553 \$20,340,698 \$7,067,573 \$27,408,271

## MANAGEMENT OF OPERATING RESERVES

Encorp's financial model requires a reasonable level of operating reserves to provide stability to the system. When these reserves rise above the amount deemed to be reasonable, measures are taken to reduce them to the appropriate level.

As indicated in the chart, reserves were reduced and in fact depleted by the end of 2009. These reserves have been used to fund system costs that may otherwise have been reflected in consumer prices.

Encorp has been able to restore its operating reserves to an appropriate level by the end of 2012 and will continue to manage its operating reserves within an optimal pre-determined range over a span of three years.

	Gross Revenue Including Deposits (million)	Total Expenses Including Deposit Refunds (million)	Results Surplus/(Deficit) (million)	Reserves/ (Deficit)  Year end (million)
2010	\$168.6	159.5	9.1	\$ 7.7
2011	170.1	157.4	12.7	20.4
2012	164.0	156.9	7.1	27.4

Operating

### OUR RESERVES

The recession had a significant negative impact on our revenues. On a positive note, our recovery of containers actually increased. At the end of 2009, our reserves created over the period of 2002 to 2006 had been depleted. Through prudent cash management, our day to day operations were not affected. We continued to handle all our obligations (\$2 million to \$3 million each week) without requiring any form of debt financing.

All our public education programs were maintained as were important research and development activities such as compaction and new generations of information technology. These results bring into sharper focus the importance of adequate reserves. Starting in the 3rd quarter of 2009 and through 2012, we have been rebuilding our reserves. The chart on page 58 demonstrates our progress.

These results bring into sharper focus the importance of adequate reserves.

# FREQUENTLY ASKED QUESTIONS

#### Question: Why does Encorp need reserves?

Our weekly expenses paying for deposit refunds, handling fee payments to depots, transportation and processing must be met without interruption. The many small businesses that rely on our cash payments could not be viable if there was any kind of disruption or delay in our regular and predictable pattern of payments. However, our revenues are not as reliable as they depend on the volatility of the beverage and recycling markets. The reserves are the cushion we need to ride through the up and down cycles in these markets.

#### Question: How does Encorp create reserves?

Each year we forecast the expected sales of beverages in the province and our rate of collection of containers to estimate our revenues and expenses. To ensure that we can cover our costs we determine the level of fees we will have to charge our brand owners. By setting the appropriate fees we can create, increase or decrease a reserve for each type of container. The individual container reserves combined represent our total overall reserves.

#### Question: What size of reserve is required?

From experience, we should have a minimum reserve equal to at least 4-6 week's worth of the \$2-3 million per week outgoing cash payments. This cushion allows us to tolerate the cycles in the beverage and recycling markets.

# **CONTAINER RECYCLING FEES (CRF)**

Container Type	01-Oct-09		01-Feb-12	
Aluminum	2.0 cents	2.0 cents	1.0 cents	1.0 cents
Plastic ≤ 500 ml Plastic 501 ml - 1L	4.0 cents 4.0 cents	3.0 cents 3.0 cents	3.0 cents 3.0 cents	3.0 cents 3.0 cents
Plastic > 1L	5.0 cents	6.0 cents	6.0 cents	6.0 cents
Polystyrene	4.0 cents	3.0 cents	3.0 cents	3.0 cents
Glass ≤ 500 ml	10.0 cents	12.0 cents	12.0 cents	12.0 cents
Glass 501 ml - 1L Glass > 1L	10.0 cents 10.0 cents	12.0 cents 15.0 cents	12.0 cents 20.0 cents	12.0 cents 25.0 cents
Bi-Metal ≤ 500 ml		3.0 cents	6.0 cents	6.0 cents
Bi-Metal 501 ml - 1L		3.0 cents	6.0 cents	6.0 cents
Drink Boxes ≤ 500 ml	1	2.0 cents	2.0 cents	2.0 cents
Drink Boxes 501 ml - 1L	4.0 cents	6.0 cents	7.0 cents	7.0 cents
Gable Top > 1L	•	3.0 cents	6.0 cents	6.0 cents April 1, 2013
Glass Wine & Spirits ≤ 1L	14.0 cents	15.0 cents	15.0 cents	15.0 cents
Glass Wine & Spirits> 1L	16.0 cents	19.0 cents	22.0 cents	23.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤1L	10.0 cents	11.0 cents	11.0 cents	11.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	10.0 cents	11.0 cents	11.0 cents	11.0 cents
Liquor Plastic ≤ 1L Liquor Plastic > 1L	4.0 cents 8.0 cents	4.0 cents 9.0 cents	4.0 cents 10.0 cents	4.0 cents 10.0 cents

### 2012 BOARD OF DIRECTORS

Encorp recognizes that its responsibilities as an Industry Product Stewardship (IPS) corporation requires a governance model that places great emphasis on high standards of accountability and transparency.



L-R: Neil Antymis, Dale Parker, Liisa O'Hara, Dan Wong, Neil Hastie, John Nixon, John B. Challinor II, John Graham, Jim Goetz

### Dale Parker

Dale G. Parker, is a Corporate Director; prior to January 1998, President & CEO of Workers' Compensation Board of British Columbia; prior to November 1994, President of White Spot Limited and Executive Vice-president of Shato Holdings Ltd.; prior to November 1992, Chairman and CEO of British Columbia Financial Institutions Commission. Mr. Parker is a former President & CEO, Bank of British Columbia and Executive Vice-president, Bank of Montreal. He serves as Board Chair, UBC Investment Management Trust, a director Matrix Asset Management Inc.,

Encorp Pacific [Canada] and Transit Police Services. Past directorships include: TransLink (Chair), Talisman Energy Inc, Industrial-Alliance Pacific Life

Insurance Co and CPP Investment Board. He also serves as Code of Conduct Advisor to BC Hydro. Mr. Parker is active with a number of charitable and non-profit organizations, including; Chair, Pacific Parkinson's Research Institute and a director Fraser Basin Council. Recent past community work includes: Chair, BC Cancer Agency, Vice-Chair, BC Cancer Foundation, Chair, Four Corners Community Savings, Vice-President Kidney Foundation of Canada, Vice-President, BC Lions Society for Children with Disabilities, Vice-Chair, Vancouver Police Department, Vice-Chair, Vancouver Board of Trade and Chair, Industry Training and Apprenticeship Commission of British Columbia. He is a former member of the UBC Faculty of Commerce & Business, Advisory Board.

Mr. Parker is a graduate of the Advanced Management Program of the Graduate School of Business Administration, Harvard University.

### **Neil Hastie**

Neil Hastie is President & CEO of Encorp Pacific [Canada].

He is the cofounder of the Conference on Canadian Stewardship, member of the Recycling Council of British Columbia, past chairman of the Stewardship Agencies of BC, sustaining partner of the Product Stewardship Institute (Boston) and a member of the executive committee of both the Canadian Product Stewardship Council (Sydney, Australia).

Previously, Mr. Hastie had been in the retail industry for more than 35 years. During that period he has held senior operating positions with several multi outlet chains. He has a B.Sc. from Bishop's University [Lennoxville, Quebec] and an MBA (honours) from York University (Toronto). Mr. Hastie joined Encorp in 1998.

### Jim Goetz

President Canadian Beverage Association

Jim Goetz assumed the role of President of the Canadian Beverage Association in May 2012. The Canadian Beverage Association is the national association representing the broad spectrum of brands and companies that manufacture and distribute the majority of non-alcoholic beverages consumed in Canada, His industry career accomplishments include serving as Vice President, Government Affairs with the Canadian Beverage Association and Vice President, Provincial Affairs with Food and Consumer Products of Canada, Prior to this. Jim served as Senior Special Advisor - Ontario to Prime Minister Paul Martin as well as for the Government of Canada as a Senior Communications Advisor to the Treasury Board and the Privy Council Office. Jim has also managed several successful political campaigns at both the local and provincial level. Jim holds an Honours Bachelor Degree in Political Science from Wilfrid Laurier University and a postgraduate certificate from Moscow State University.

### **Neil Antymis**

Neil Antymis ICD.D, CGA

Neil is a Certified Corporate Director and Certified General Accountant. He is currently employed as Director, Government Affairs for Pepsico Beverages Canada, He serves on the boards of seven environmental stewardship organizations across Canada and is a director on the Canadian Beverages Association board where he serves as Treasurer, Audit Committee Chair and Environmental Committee Chair.

Prior to his work in governmental affairs and environmental stewardship. Neil was the Planning Manager – Western Canada for Pepsi Bottling Group. As Planning Manager, Neil leveraged his skills and experience to develop strategies, action plans and performance management systems in partnership with the senior leadership team in the areas of production, distribution, sales, warehousing, fleet and service.

Neil has worked in the Pepsi system for twenty-three years and before that for eight years in a variety of finance positions in the refining and marketing divisions of Turbo Resources Ltd.

### Liisa O'Hara

Commissioner, British Columbia Utilities Commission

Liisa O'Hara serves as a Commissioner for British Columbia Utilities Commission, specializing in energy matters. In this capacity, since 2005, she has been closely associated with major energy developments in the province.

During her corporate career Mrs. O'Hara held a number of senior executive positions with a major pipeline company with focus on finance and regulatory affairs. Her regulatory expertise is multijurisdictional including Canadian federal (NEB), provincial (BCUC) and the U.S. federal (FERC) jurisdictions.

Liisa O'Hara is a Corporate Director, certified with the ICD.D designation in 2006 and serves on a number of Boards in that capacity.

## 2012 BOARD OF DIRECTORS

Ms. O'Hara holds a Master of Science degree in Business Administration from University of British Columbia and is a Certified General Accountant. She also served as Executive-in-Residence for the Sauder School of Business from 2004-2008.

### John Graham

Director of Public Affairs & Government Relations Canada Division, Canada Safeway Limited For the past 18 years John has represented Canada Safeway's interests on a broad range of issues impacting the grocery chain's retail stores and plants. His current responsibilities include directing the company's government and media relations across the Canadian Division as well as overseeing Canada's public relations endeavors.

A graduate of Manitoba's I.H. Asper School of Business, John sits on a number of industry, corporate and community boards including Chair of Marketing and Lotteries for St. Boniface Hospital and Research Foundation.

### John B. Challinor II APR

Director, Corporate Affairs 2008-Present

John Challinor II is the Director of Corporate Affairs at Nestlé Waters Canada. He is also a member of the Company's leadership team.

Mr. Challinor is responsible for Nestlé Waters' dayto-day corporate communications and public affairs activities in the Canadian marketplace.

He joined Nestlé Waters in June 2008 in his current position. Mr. Challinor brings more than 24 years of corporate and marketing communications experience to the role, having served in executive and senior advertising, industry and government affairs and public relations roles with Amdahl Canada Limited, Compaq Canada Limited, IBM Canada Limited and Sony of Canada Limited. He began his career as a newspaper and television reporter and editor in the Southern Ontario market. He is a former part-time municipal councillor (15 years) with the Corporation of the Town of Milton, Canada's fastest growing community.

Mr. Challinor holds a Bachelor of Applied Arts degree in Journalism from Ryerson University, an Accredited Public Relations [APR] designation from the Canadian Public Relations Society and a Certificate in Advertising from the Institute of Canadian Advertising.

Professionally, he is Chairman of the Canadian Beverage Container Recycling Association; President of Alberta Beverage Council; and a member of the Board of Directors of Encrop Pacific Canada and the Alberta Beverage Recycling Corporation; Chairman, Environment Committee, Canadian Bottled Water Association; and a member, Environment Committee, Canadian Beverage Association.

### John Nixon

Secretary, Beverage Alcohol Containers Management Council of BC.

Encorp Affiliation – Beverage Alcohol Containers
Management Council of BC.
Committees – Audit/ Governance.
Term of office – Commenced 2009.

John Nixon represents the Beverage Alcohol Containers Management Council of BC, a group that represents the manufacturers and importers of beverage alcohol products packaged in non-refillable containers other than aluminum. He has extensive experience as a public affairs consultant serving different parts of the beverage industry and was a founding director of Encorp.

He recently became employed as the Director of Development for the Roman Catholic Archdiocese of Vancouver.

### **Dan Wong**

Chair

Encorp Affiliation – Juice Council of British Columbia. Committees – Audit/Compensation/ Governance. Term of office – Commenced 1998.

Dan Wong is currently President of Right Hook Business Strategies Ltd. and serves as the Executive Director of the Juice Council of BC. He has been Vice-President, Corporate Development, BC Ferries as well as heading the Corporate Relations practice for western Canada's largest food manufacturer. He holds a Bachelors and Masters degree in Political Science from UBC.

# A GOVERNANCE MODEL BUILT ON ACCOUNTABILITY AND TRANSPARENCY

### **Board of Directors**

Board Structure – The 10-person Board is made up of nominees of the five key industry sectors and two unrelated directors. Two directors are appointed by the Canadian Beverage Association representing the major bottlers, one each is appointed by the Canadian Bottled Water Association, the Juice Council of BC and the Beverage Alcohol Containers Management Council of BC, and two are appointed by the Retail Council of Canada representing the major retail grocery stores. Two directors are unrelated to any aspect of the beverage industry. Encorp's President and CEO is also a director.

The Board determines the company's strategy and policies, sets objectives for the CEO, approves budgets and fees, and discharges its fiduciary obligations to the brand owners and other stakeholder groups. It provides oversight of Encorp's operations through quarterly Board meetings and an annual strategic planning session.

In addition to its structure, Encorp's governance model incorporates a number of values and processes that guide the functioning of the Board.

### Accountability

A fundamental part of Encorp's commitment to accountability is a set of policies and practices codified in a Board Manual for Directors prepared by one of Canada's leading experts on corporate and not-for-profit governance.

The policies in the Board Manual cover such key items as terms of reference for the Board, the Chair, Directors and the CEO, as well as a Code of Conduct for Directors, including conflict-of-interest guidelines. The policies also set out how committee memberships are to be established, lay out terms of reference for Encorp's Board committees and specifies important review processes that the Board must undertake of the CEO and of its own performance.

### Transparency

Encorp provides a comprehensive public explanation of its operations through this annual report, its Advisory Committee and other methods. This transparency exceeds the requirements of regulation and is designed to provide as much information as possible to the general public.

## ADVISORY COMMITTEE

March 12, 2013

To:
Members of Encorp Pacific (Canada)
B.C. Bottled Water Association
Canadian Council of Grocery Distributors
Juice Council of BC
Refreshments Canada
Beverage Alcohol Containers Management Council of British Columbia

### Annual Report of the Advisory Committee for Fiscal Year - 2012

The Advisory Committee met twice in 2012 on April 26 and November 6 with agenda items that included consumer awareness, annual draft budget, audited financial statements, and reappointments for Advisory Committee members. Committee member Janice Song tendered her resignation and the Committee recommended to the Nominating Committee that Return-It™ Centre owner-operator Aly Mitha be appointed to replace Janice.

The Committee had planned to focus on public consultation for the 2012 Stewardship Plan but the Ministry of Environment, after their review of the Beverage Container Schedule and the focus on the Packaging and Printed Paper EPR program decided to extend the current Beverage Container Stewardship Plan. Consultation on the new plan will now take place in 2013 for submission to the Ministry by November, 2013.

At its November 6 meeting the Committee received a presentation from Blair Kennedy of Encorp on the new depot options being developed. CEO Neil Hastie asked the Committee to continue providing input and advice as the plans develop. The Committee is supportive of these new options as a potential for increasing diversion in the City of Vancouver.

The Committee was very appreciative of the video spots aimed at the 18-34 year old male demographic.

The Committee received verbal reports from Neil Hastie on a number of items including the four working groups set up by the Ministry of Environment to find ways to encourage higher performance in all of the stewardship programs. Committee members provided comments on how to better inform and involve local governments in raising awareness of stewardship programs.

Respectfully submitted

A. Lynch, Chair

# ADVISORY COMMITTEE MEMBERS



Al Lynch – Chair Manager, North Shore Recycling Program, North Vancouver On Advisory committee since 2000

Al has been in his present position at North Shore Recylcing since 1990. He has written an Integrated Solid Waste Management plan and has implemented a variety of recycling programs. He is the Canadian Representative to the International Board of Directors of the Solid Waste Association of North America (SWANA) and Vice-President of the Pacific Chapter of SWANA as well.



**Linda Barnes**Councilor, City of Richmond
On Advisory committee since 2006

Linda is chair of Public Works and Transportation Committee that oversees Richmond's roads, dykes, fleet, energy and

environmental programs. She also sits on various committees and is well known for her support of environmental issues.



Will Burrows
Executive Director, Coast Waste
Management Association
On Advisory committee since 2008

In addition to his duties as Executive Director he also runs a consulting business. Will has been the Project Manager for the largest metal recycler on Vancouver Island and is a past Board member of the Victoria Esquimalt Harbour Society.



**Ken Lyotier**Founder and Executive Director,
United We Can Bottle Depot
On Advisory committee since 2005

Ken founded United We Can, a nonprofit bottle depot, in 1995 in order to provide work experience opportunities and income for residents of the Downtown Eastside Vancouver. He was awarded a Medal for Meritorious Service by the Governor-General of Canada.



Robert Knall
Manager, Development Planning,
Township of Langley, Community
Development Division

Development Division
On Advisory committee since 2010

Robert has been a planner with the Township of Langley since 1988, and is the Planning Institute of BC's representative on the Advisory Committee.



**Brock Macdonald**Chief Executive Office, Recycling
Council of BC

On Advisory committee since 2007

Brock was RCBC's Director of Communications prior to his appointment as CEO in 2006. Formally he was Communications Manager for Product Care, an industry stewardship agency, an educator and award-winning journalist.



Alan Stanley
Director of Environm

Director of Environmental Services, Regional District of Kootenay-Boundary On Advisory committee since 2008

Alan manages a regional integrated solid waste management system that includes recycling collection programs, recycling depots, landfills and waste transfer stations.



Aly Mitha
Chairman of the Council of Depot
Operators
On Advisory committee since 2011

Aly, took over the helm as Chairman of the Council of Depot Operators in 2011. He is celebrating 15 years of Kensington Return-ItTM this November. As a progressive operator Aly and his family have been early adopters of new programs (5 Star) and pilots (compaction).

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Encorp Pacific (Canada) have been prepared by management in accordance with generally accepted accounting principles in Canada. Any financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial statements are prepared in a timely manner.

Encorp Pacific (Canada) maintains a system of internal accounting and administrative controls. They are designed to test the adequacy and consistency of internal controls, practices and procedures. PricewaterhouseCoopers, the independent auditors appointed by the Board of Directors, have audited the financial statements of Encorp Pacific (Canada) in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and expresses an opinion on the financial statements of Encorp Pacific (Canada).

**Neil Hastie** 

Chief Executive Officer

Bill Chan, CGA, MBA Chief Financial Officer

May 08, 2013

### INDEPENDENT AUDITOR'S REPORT

### To the Members of Encorp Pacific (Canada)

We have audited the accompanying financial statements of Encorp Pacific (Canada), which comprise the statement of financial position as at December 31, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Encorp Pacific (Canada) as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

(signed) PricewaterhouseCoopers LLP

Pricewaterhouse Coopers LLP

Chartered Accountants May 8, 2013 pwc

# STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	2012	2011
	\$	\$
Assets		
Current assets	38,683,366	28,244,114
Cash	4,842,098	6,571,464
Accounts receivable	39,374	30,722
Prepaid expenses and deposit	10.700.000	21015000
	43,564,838	34,846,300
Capital assets (note 3)	986,320	806,089
	44,551,158	35,652,389
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	7,688,127	7,490,323
Deferred revenue	6,986,543	7,007,636
Advance payment from brand owners	2,040,601	
Current portion of obligations under capital lease (note 5)	275,065	386,117
	16,990,336	14,884,076
Obligations under capital lease (note 5)	V-771.0000	aker allu
	152,551	427,615
Net Assets	17,142,887	15,311,691
Internally restricted reserve (note 4)		
	1,194,920	1,524,557
Unrestricted (note 4)	26,213,351	18,816,141
	27,408,271	20,340,698
	44,551,158	35,652,389

Commitments (note 6)

Approved by the Board of Directors

# STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31, 2012

			2012	2011
	Internally restricted reserve	Unrestricted	Total \$	Total
Balance - Beginning of year	1,524,557	18,816,141	20,340,698	7,628,145
Excess of revenue over expenses	, i	7,067,573	7,067,573	12,712,553
Transfer from internally restricted reserve (note 4)	(329,637)	329,637		
Balance - End of year	1,194,920	26,213,351	27,408,271	20,340,698

# STATEMENT OF OPERATIONS For the years ended December 31, 2012

	2012 \$	2011 \$
Revenue		
Deposits on containers	85,181,918	85,550,127
Deposit refunds	(69,160,311)	(70,492,350)
	16,021,607	15,057,777
Container recycling fees	52,632,569	54,684,227
Contract fees	12,229,629	12,607,595
Sale of recyclable materials	13,569,368	16,730,008
Other	378,076	274,846
	94,831,249	99,354,453
Direct operations expenses		
Handling fees	52,645,963	51,379,182
Depot operations	409,840	297,421
Transportation and processing fees	25,980,623	26,842,321
	79,036,426	78,518,924
Other expenses		
General and administrative	3,974,412	3,958,840
Consumer awareness	4,281,145	3,783,348
Amortization	478,529	617,854
Foreign exchange gain	(6,836)	(237,066)
	8,727,250	8,122,976
Excess of revenue over expenses	7,067,573	12,712,553

# STATEMENT OF CASH FLOWS

For the years ended December 31, 2012

	2012 \$	2011 \$
Cash flows from operating activities		
Excess of revenue over expenses	7,067,573	12,712,553
Items not affecting cash - amortization	478,529	617,854
	7,546,102	13,330,407
Changes in non-cash operating working capital		
Accounts receivable	1,729,366	25,954
Prepaid expenses and deposit	(8,652)	(6,702)
Accounts payable and accrued liabilities	197,804	(383,564)
Deferred revenue	(21,093)	53,936
Advance payment from brand owners	2,040,601	1/-
Character and the contract of	11,484,128	13,020,031
Cash flows from investing activities		
Purchase of capital assets	(658,760)	(635,044)
Cash flows from financing activities		
Advances under capital lease financing	-	539,585
Repayment of obligation under capital lease	(386,116)	(305,730)
	(386,116)	233,855
Increase in cash	10,439,252	12,618,842
Cash - Beginning of year	28,244,114	15,625,272
Cash - End of year	38,683,366	28,244,114
Supplemental cash flow information		
Interest paid	25,742	27,323

December 31, 2012

### 1 Operations

Encorp Pacific (Canada) (the "Corporation") was incorporated without share capital pursuant to Part II of the Canada Corporations Act on October 1, 1998. The Corporation is exempt from income taxes and carries on its operations without monetary gain to its members.

The Corporation has been appointed by participating brand owners to carry out its duties pursuant to the terms of the Recycling Regulation of the Environmental Management Act of British Columbia.

Under this appointment, the Corporation acts to develop a Stewardship Plan in the form prescribed by the Recycling Regulation for the collection and management of containers for and on behalf of the brand owners in an efficient, cost-effective, and socially and environmentally responsible manner. The appointment also allows the Corporation to establish charges for its services as required to generate fees sufficient to meet its current and future financial requirements, including deposit refunds and operating costs.

The objectives of the Corporation are to promote and facilitate the recycling of used beverage containers in British Columbia through education, public awareness and management of the Recycling Regulation. Although an excess or deficiency of revenue over expenses may occur on an annual basis, the Corporation's long-term goal is to operate on a cost recovery basis.

Under contract, the Corporation also provides material handling with respect to recycling of dairy containers and certain consumer electronics.

### 2 Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for private enterprises, incorporating the following significant accounting policies:

#### Revenue

Deposits on containers and container recycling fees are received from brand owners on each container sold in the province of BC. The Corporation records revenue from deposits on containers net of deposit refunds, and container recycling fees as services are provided in relation to its obligations under the Stewardship Plan.

Recyclable materials revenue is recorded when the containers are shipped to recyclers.

Contract fees are recorded when the services are provided.

### Deferred revenue

The Corporation defers revenue related to deposits and container recycling fees received or receivable prior to year-end for which the related deposit refunds, handling fees and transportation and processing fees will be paid for container returns received subsequent to year-end. The amount deferred is estimated based on the industry average rate of recovery. The determination of such a deferral is subject to estimates that reflect management's determination of the most probable set of economic conditions, including the estimated turnaround time for consumers returning used beverage containers for refunds. The turnaround time is estimated to be 7.5 weeks.

December 31, 2012

### Direct operations expenses and other expenses

Handling fees to depots and transportation and processing fees are recorded on the date the containers are collected by transporters. Other expenses are recorded as they are incurred.

### Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Exchange differences are included in income as they arise. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the transaction date.

### Capital assets

The Corporation records capital assets at cost less accumulated amortization. Amortization is calculated as follows:

Office equipment 5 years straight-line
Computer hardware 3 years straight-line
Computer software 3 years straight-line
Leasehold improvements 3 - 5 years straight-line

In accordance with Section 4400 of the Canadian Institute of Chartered Accountants (CICA) Handbook, the Corporation does not separately disclose the net assets invested in capital assets.

#### Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to ownership of the property is classified as a capital lease. At the inception of a capital lease, an asset and obligation are recorded at an amount equal to the present value of the lessee's minimum lease payments or the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases and lease payments are expensed as incurred.

#### Use of estimates

A precise determination of many assets and liabilities is dependent upon future events, and therefore, the preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Areas requiring significant estimates include allowance for uncollectible accounts, amortization rates for capital assets, and deferred revenue.

### Financial instruments

Financial instruments comprise cash, accounts receivable, accounts payable and accrued liabilities, and obligations under capital lease.

Financial instruments are recorded on initial recognition at fair value. Subsequent to initial recognition, the Corporation records all financial instruments at cost or amortized cost. Transaction fees are expensed as incurred.

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

December 31, 2012

3 Capital assets				
S. 10. 1 (10.00 (10.00 )			2012	2011
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Office equipment	762,996	429,436	333,560	212,677
Computer hardware	1,728,261	1,219,080	509,181	502,735
Computer software	488,805	450,795	38,010	21,260
Leasehold improvements	268,310	162,741	105,569	69,417
	3,248,372	2,262,052	986,320	806,089
Net capital assets financed under capital lease:			2012 \$	2011
0.0				
Cost			1,144,427	1,390,491
Less: Accumulated amortization		-	857,173	791,391
			287,254	599,100

### 4 Internally restricted reserve and unrestricted balance

The Board of Directors has established an internally restricted reserve in recognition of the principle that the costs of recycling each container type are to be borne independent of other container types. The objective of the reserve is to defer the implementation of the container recycling fee on container types for which the current unredeemed deposits exceed the net costs of recycling. The reserve level is reviewed annually. The reserve may also be used to develop and implement strategies to improve recovery rates of these specific containers. As a result of the annual review, an amount of \$329,637 (2011 - \$720,123) was transferred from the reserve during the current year.

### 5 Obligations under capital lease

Total minimum payments required under capital leases are as follows:

	\$
2013	286,493
2014	155,348
	441,841
Less: Imputed interest (4% to 6%)	14,225
Present value of minimum capital lease payments	427,616
Less: Current portion	275,065
Long-term portion	152,551

Interest of \$25,742 (2011 - \$27,323) relating to capital lease obligations has been included in depot operations and general and administrative expense.

### 6 Commitments

The Corporation has entered into operating leases for its premises. The total future minimum lease payments for the years ending December 31 are as follows:

	\$
2013	310,499
2014	302,441
2015	221,930
2016	226,285
Total	1,061,155

### 7 Government related outstanding amounts as at December 31

Government remittances consist of amounts (such as payroll withholdings, sales taxes and Workers' Compensation Board remittances) required to be paid to government authorities and are recognized when the amounts become due. In respect of government remittances, the net position is a receivable of \$357,696 (2011 - payable of \$19,625).

December 31, 2012

### 8 Related parties

The Corporation owns 100% of Encorp Pacific Inc. ("EPI"), an incorporated company. EPI is inactive and its balance sheet is as follows:

	\$
Cash	2
Shareholder's equity	2

During the year, the Corporation paid \$106,839 (2011 - \$94,140) in Board expenses, which comprised fees for directors.

### 9 Capital disclosures

The Corporation defines its capital as the amounts included in its net asset balances.

When managing its net assets, the Corporation's objective is to safeguard its ability to continue as a going concern in order to fulfill its mandate as set out in note 1.

While its net assets are not subject to external restrictions, the Corporation has certain Board imposed restrictions on the use of its net assets as indicated in note 4. The Corporation has internal control processes to ensure that these internally imposed restrictions are met prior to the utilization of these net assets.

The Corporation manages the amount of net asset balances in proportion to risk and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

### 10 Currency, interest rate and credit riskmanagement

### Foreign currency risk

The Corporation is exposed to foreign exchange risk through its cash, accounts receivable and accounts payable that arise on sales of recyclable materials denominated in US dollars. At December 31, 2012, the net US dollar exposure on cash, accounts receivable and accounts payable was US\$1,808,203 (2011 - US\$2,182,946).

### Interest rate risk

The Corporation is not exposed to significant interest rate risk.

#### Credit risk

Accounts receivable consist of amounts outstanding from brand owners and material recyclers. The Corporation monitors the creditworthiness of brand owners and material recyclers to minimize the risk of loss.



# Independent Reasonable Assurance Report

May 8, 2013

# To the Directors of Encorp Pacific (Canada) on selected non-financial information included in the Encorp 2012 Annual report

We have been engaged by Encorp Pacific (Canada) ("Encorp") to perform a reasonable assurance engagement in respect of the following information, referred to as the "Selected Information", detailed in Appendix A, and also included within Encorp's Annual Report for the year ended December 31, 2012:

- the number of collection facilities, and any changes in the number of collection facilities from the prior year; and
- the total amount of the producers' product sold and collected, and the recovery rate for the year ended December 31, 2012.

Our opinion does not constitute a legal determination on Encorp's compliance with the British Columbia Regulation 449/2004 Recycling Regulation ("Recycling Regulation").

### Responsibilities

The preparation and fair presentation of the Selected Information in accordance with the evaluation criteria as listed in Appendix A is the responsibility of Encorp's management. Management is also responsible for such internal control as management determines is necessary to enable the preparation of the Selected Information such that it is free from material misstatement. Furthermore, management is responsible for the preparation of suitable evaluation criteria in accordance with the "Third party assurance requirements for non-financial information in annual reports" dated July 31, 2012 ("Assurance Requirements") as specified by the Director under section 8(2)(h) of the Recycling Regulation of the Province of British Columbia.

Our responsibility is to express an opinion on the Selected Information based on the procedures we have performed and the evidence we have obtained.

### **Methodology and Assurance Procedures**

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 ("ISAE 3000"), "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by the International Federation of Accountants. This standard requires that we comply with independence requirements and plan and perform the engagement to obtain reasonable assurance about whether the Selected Information is free of material misstatement.

A reasonable assurance engagement includes examining, on a test basis, evidence supporting the amounts and disclosures within the Selected Information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in the Selected Information due to omissions, misrepresentation and errors. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the Selected Information in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of the entity's internal control. A reasonable assurance engagement also includes assessing the evaluation criteria used and significant estimates made by management, as well as evaluating the overall presentation of the Selected Information.

# Independent Reasonable Assurance Report

May 8, 2013

The main elements of our work were:

- obtaining an understanding of the management systems, processes, and controls used to generate, aggregate and report the data;
- testing relevant controls, documents and records on a sample basis;
- testing and re-calculating quantitative information related to the Selected Information on a sample basis;
- reviewing the consistency of the Selected Information with the related disclosures in the Annual Report of Encorp.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the Selected Information and the methods used for determining and calculating such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments. Furthermore, the nature and methods used to determine such information, as well as the evaluation criteria and the precision thereof, may change over time. It is important to read our report in the context of evaluation criteria.

### Conclusion

In our opinion, the Selected Information for the year ended December 31, 2012 presents fairly in accordance with the evaluation criteria, in all material respects:

- the number of collection facilities, and any changes in the number of collection facilities from the prior year; and
- the total amount of the producers' product sold and collected, and the producers' recovery rate for the year ended December 31, 2012.

### Other matters

Our report has been prepared solely for the purposes of Encorp's compliance with the Sections 8(2)(b) and (c) of the Recycling Regulation and is not intended to be and should not be used for any other purpose. Our duties in relation to this report are owed solely to Encorp, and accordingly, we do not accept any responsibility for loss occasioned to any other party acting or refraining from acting based on this report.

Chartered Accountant

PricewaterhouseCoopers LLP

Central City Tower, 13450 102 Avenue, Suite 1400, Surrey, British Columbia, Canada V3T 5X3

T: +1 604 806 7000, F: +1 604-806 7806, www.pwc.com/ca

Pricewaterhouse Coopers LLP

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



### Appendix A to the Assurance Report

1. The number of collection facilities, and any changes in the number of collection facilities from the prior year as presented in the Encorp Annual Report.

### Selected Information:

Encorp's collection network consists of 171 Return-It™ Depots. No new depots were opened and one depot was closed during 2012.

### Evaluation criteria:

- Collection Facility referred to as a Return-It™ Depot means a facility that has been identified in an approved stewardship plan for collection and redemption of used beverage containers.
- Depots List is a registry of Return-It<sup>TM</sup> Depots containing contact information (location, contact and hours of operation) maintained by Encorp.

The number of collection facilities is obtained from the Depot List of Return-It™ Depots as of December 31, 2012.

The calculation of the number of Return-It™ Depots is done by adding up the total number of Return-It™ Depots on the Depot List.

The listing is prepared on a monthly basis.

The changes in the number of collection facilities are highlighted in the monthly depot list with the summary provided at the end of the year.

A summary reconciliation is completed identifying the depots at the beginning of the year, changes during the year and the number of depots at the end of the year.

2. The total amount of the producers' product sold and collected, and the recovery rate for the year ended December 31, 2012 as presented in the Encorp Annual Report.

### Selected Information:

In 2012, Encorp Pacific (Canada) achieved a recovery rate of 78.7% comprised of the sale of 1,237,108,765 units and recovery of 973,327,078 units of beverage containers.

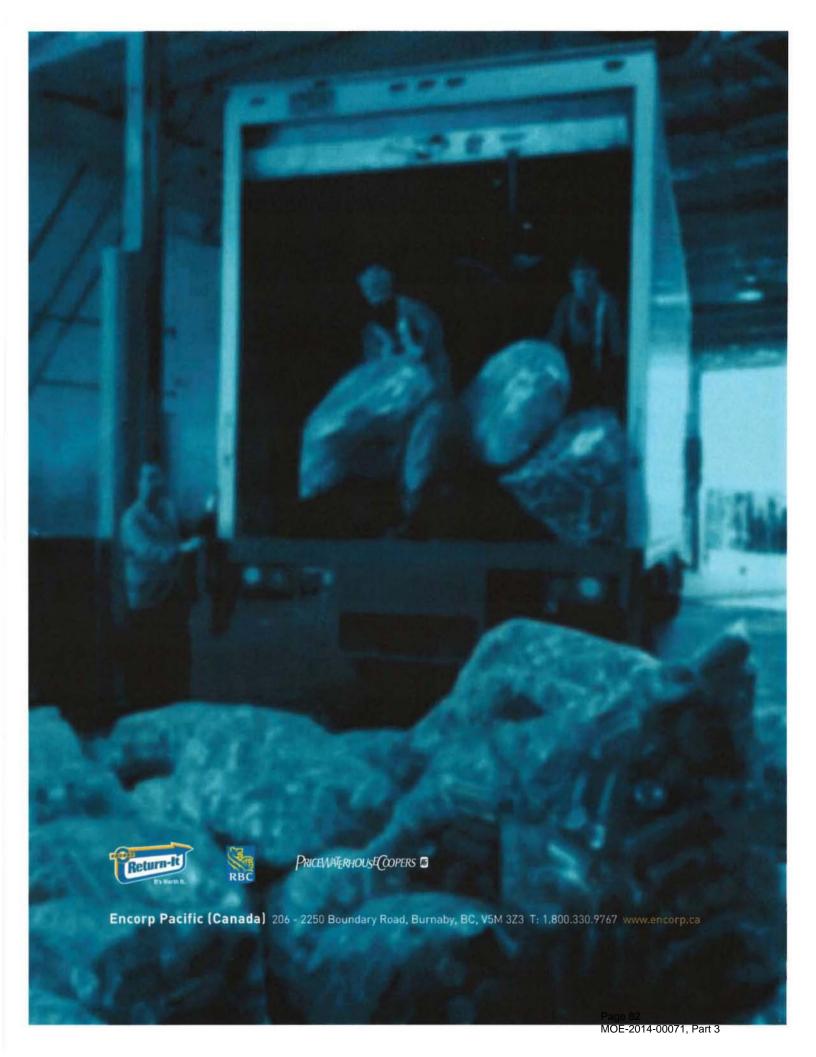
### **Evaluation criteria:**

- Recovery rate: A calculated value derived from dividing total units collected by total units sold and measured as a
  percentage rounded to the first decimal point.
- Product sold: Number of units (beverage containers) reported by brand owners to Encorp.
- Brand owners: Producers as defined in Schedule 1 of the Recycling Regulation that registered with Encorp.
- Product collected: Number of units (used beverage containers (UBC)) collected by Encorp.
- Containers in transit: Containers for which deposits were received but will be refunded subsequent to year-end.
   The turnaround time for consumers returning used beverage containers for deposit refunds is estimated to be 7.5 weeks.
- Movement Authorization (MA): A document indicating the number of containers collected.

The recovery rate is determined by dividing the number of product collected by the total number of product sold.

The total number of units of product sold is based on sales reports received by Encorp from the brand owners expressed in unit sales. The reported units sold are adjusted at year-end to account for containers in transit.

The total number of units of product collected is based on the number of used beverage containers collected by Encorp as indicated in the movement authorization form during the calendar year.



### Bates, Julia ENV:EX

From:

Bill Chan <Bill@encorpinc.com>

Sent:

Tuesday, July 9, 2013 4:38 PM

To:

Lawes, David ENV:EX

Cc:

Ratcliffe, Julia ENV:EX; Elena Zevakhina

Subject:

BEVERAGE CONTAINER PRODUCT SUBCATEGORIES

Attachments:

moeconsolidcontaintyp072013.pdf

Follow Up Flag:

Follow up

Flag Status:

Flagged

Dear David:

Please find attached letter.

Please feel free to discuss it at your convenience.

Regards,

Bill Chan

Vice-President & CFO

**Encorp Pacific (Canada)** 

206 - 2250 Boundary Road Burnaby, BC V5M 3Z3

Direct Line: 604-473-2423

Toll Free: 1-800-330-9767 (outside the Lower Mainland)

Fax: 604-473-2411

CONFIDENTIALITY NOTICE: Proprietary/Confidential Information belonging to Encorp Pacific (Canada) and its affiliates may be contained in this message. If you are not a recipient indicated or intended in this message (or responsible for delivery of this message to such person), or you think for any reason that this message may have been addressed to you in error, you may not use or copy or deliver this message to anyone else. In such case, you should destroy this message and are asked to notify the sender by reply email.



July 9, 2013

VIA E-MAIL

David Lawes
Director of Waste Management
Environmental Quality Branch
Ministry of Environment
PO Box 9341 Stn Prov Govt
Victoria BC V8W 9M9

Dear Mr. Lawes:

### RE: BEVERAGE CONTAINER PRODUCT SUBCATEGORIES

The beverage container product category, defined in Schedule 1 of the Recycling Regulation, is based on container material and container size. Encorp reports the amount of product sold, recovered, and recovery rates based on the depot sorts requiring separation of all containers by material type, size and deposit value.

In accordance with the Regulation, the depots are required to further separate containers into two categories: 0-500 ml and 501-1000 ml for the drink box (DB) and gable top (GT) categories even though the deposit value is the same. Sales volume of those container types is insignificant in Encorp's system (DB 0-500 ml - 7.1%, DB 501-1000 ml - 1.9%, GT 0-500 ml - 0.05%, GT 501-1000 ml - 0.1% of the total unit sales volume).

As we continue to look at efficiencies in our system by creating space efficiencies and less labor in handling containers at the Return-It Depots; this will ensure our overall cost in managing the recycling of beverage containers are efficient as possible.

Encorp proposes to consolidate Drink Box 0-500 ml and Drink Box 501-1000 ml into a single sort of Drink Box 0-1L, and Gable Top 0-500 ml and Gable Top 501-1000 ml into another single sort of Gable Top 0-1L.

We look forward to your comments on the above proposal. If you require additional information, please feel free to contact us.

Regards,

**ENCORP PACIFIC (CANADA)** 

Bill Chan

Vice President and CFO moeconsolidcontaintyp072013.docx

Cc. Julia Ratcliffe

ENCORP PACIFIC (CANADA) 206-2250 Boundary Road Burnaby, BC V5M 3Z3 T 604.473.2400 | F 604.473.2411 | 1.800.330.9767 | encorp@encorpinc.com | encorp.ca

# 2013-07-16 FW: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

Subject	FW: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16
From	Ratcliffe, Julia ENV:EX
To	Bates, Julia ENV:EX
Sent	Tuesday, July 16, 2013 3:48 PM

#### FYI

From: Lawes, David ENV:EX

Sent: Tuesday, July 16, 2013 3:48 PM

To: Ratcliffe, Julia ENV:EX
Cc: Armstrong, Meegan ENV:EX

Subject: RE: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

### Thanks...

Fyl - in Brian's email he says they doubled the full refund depots over course of plan.

From: Ratcliffe, Julia ENV:EX

Sent: Tuesday, July 16, 2013 3:38 PM

To: Lawes, David ENV:EX
Cc: Armstrong, Meegan ENV:EX

Subject: RE: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

K-fixed in the note. In 2011 they had contracts with 84 depots, so the remainder 87 may discount.

### JR

From: Armstrong, Meegan ENV:EX Sent: Tuesday, July 16, 2013 3:30 PM

To: Lawes, David ENV:EX
Cc: Ratcliffe, Julia ENV:EX

Subject: RE: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

Julia can you confirm.

s.22

C. Meegan Armstrong

T: 250.387.9944

From: Lawes, David ENV:EX

Sent: Tuesday, July 16, 2013 3:27 PM To: Armstrong, Meegan ENV:EX Cc: Ratcliffe, Julia ENV:EX

Subject: RE: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

### Ok-then either the 84 or 88 number is wrong

From: Armstrong, Meegan ENV:EX Sent: Tuesday, July 16, 2013 3:00 PM

To: Lawes, David ENV:EX
Cc: Ratcliffe, Julia ENV:EX

Subject: RE: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

### Nice and succinct!

One minor, minor, minor hange - Encorp only has 171 not 172, depots according to their latest report.

C. Meegan Armstrong T: 250,387,9944 Page 85 MOE-2014-00071, Part 3 From: Lawes, David ENV:EX

**Sent:** Tuesday, July 16, 2013 2:53 PM

To: Ratcliffe, Julia ENV:EX
Cc: Armstrong, Meegan ENV:EX

Subject: RE: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

I made some changes, Please give it a read and let me know —Q:\EPD\ESB\CORRESPONDENCE \Waste Prevention Nov 1 2012 and onwards\Info Notes\196276 MO IN Meeting with Encorp July 22, 2013 DRAFT.docx

From: Ratcliffe, Julia ENV:EX

Sent: Tuesday, July 16, 2013 1:02 PM

To: Lawes, David ENV:EX

Cc: Armstrong, Meegan ENV:EX

Subject: FW: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

Importance: High

### Lawes - This is in your inbox sent from Meegan yesterday.

From: Gilmour, Lori ENV:EX

Sent: Tuesday, July 16, 2013 12:32 PM

To: Ranson, David ENV:EX; Ratcliffe, Julia ENV:EX

Cc: Yerex, Brett ENV:EX

Subject: FW: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

Importance: High

### Hi - what is the status of the IN? It is due today at noon. Thanx, Lori

From: Temp Correspondence Unit ENV:EX Sent: Tuesday, July 16, 2013 12:30 PM

To: Gilmour, Lori ENV:EX

Subject: FW: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

Importance: High

Hey Lori, what's the status of this IN?

Thanks.

### **Elsie Belfry**

Office of the Deputy Minister | Ministry of Environment 5th Floor - 2975 Jutland Rd. | Victoria, BC | V8T 5J9

Phone: 250-387-9886

Email: Temp.CorrespondenceUnit@gov.bc @

From: Temp Correspondence Unit ENV:EX Sent: Thursday, July 4, 2013 2:05 PM

To: Gilmour, Lori ENV:EX

Cc: Day, Kristin ENV:EX; Standen, Jim ENV:EX; Jonker, Jennifer & ENV:EX; Lee, Bonnie ENV:EX; Nicoll,

Sara ENV: EX

Subject: MO Meeting - IN 196276 - Encorp - Due Noon on Tuesday, July 16

Importance: High

The Minister's Office has requested the following:

Who: Minister Polok, Neil Hastie, Pres. Encorp Pacific, Staff Requested

What: To describe how the Province's policies - in partnership with Encorp- in beverage container

recycling has benefitted BC-see attached

When: July 22 @ 10:50 - 11:20am

Where: Rm 112

Materials: IN 196276 has been created and referred to you. Due to DMO by Noon on Tuesday, July 16

Thanks.

### Elsie Belfry

Office of the Deputy Minister | Ministry of Environment 5th Floor - 2975 Jutland Rd. | Victoria, BC | V8T 519

Phone: 250-387-9886

Email: Terror Comspandence Corregov by us

From: Przada, Jennifer ENV:EX

Sent: Thursday, July 4, 2013 10:47 AM To: Temp Correspondence Unit ENV:EX

Cc: Lee, Bonnie EW:EX; Nicoll, Sara EW:EX; Jonker, Jennifer B ENV:EX

Subject: staff/mat reg Encorp - Request to meet

Importance: High

Confirmed for July 22@10:50am

Je mailer Praula

Administrative Coordinates to the Honourable Mary Polsk

Minister of Environment Office of the Minister Freedom of British Columbia

T. 150-887-3069 F. 350-887-1555

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From: Minister, BIV BIV: EX

Sent: Friday, June 21, 2013 10:20 AM

To: Przada, Jennifer EIV:EX

Subject: FW: Encorp - Request to meet

Importance: High

or department

logged under 196276

Surfa

From: Sharon Boyce [mail of the land of th

Sent: Friday, June 21, 2013 9:23 AM

To: Minister, ENV ENV:EX

Subject: Encorp · Request to meet

Importance: High

### Good morning:

Please refer to the attached correspondence from Encorp Pacific (Canada) President Neil Hastie with a request to meet with the newly appointed Minister of Environment, the Honourable Mary Polak.

The original of the letter will follow by mail.

If you require additional information, please feel free to contact us.

Thank-you

Sharon E. Boyce Executive Assistant

Encorp Pacific (Canada) 206, 2250 Boundary Road Burneby, BC V5M 3Z3

Phone: 604-473-2416 Fax: 604-473-2411

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T: 250.387.9944

From: Armstrong, Meegan ENV:EX Sent: Thursday, June 20, 2013 10:05 AM

To: Newton, Jeff

Cc: Zeiler-Kligman, Brian; Cox, Bryan; Valiante, Usman; Bates, Julia ENV:EX; Lawes, David ENV:EX

Subject: RE: July 24 Meeting Date

Jeff,

The afternoon of July 10th will work. Expect an invitation to the meeting shortly.

Thanks,

Meegan

From: Newton, Jeff [JNewton@nationalbrewers.ca]

Sent: Wednesday, June 19, 2013 9:04 AM

To: Armstrong, Meegan ENV: EX

Cc: Zeiler-Kligman, Brian; Cox, Bryan; Valiante, Usman

Subject: July 24 Meeting Date

Meegan:

Unfortunately we can't line up everyone's schedule at this end for a meeting on the 24th and s.22

s.22

Would it be possible to hold the meeting on July 10<sup>th</sup> – early afternoon would be preferable but we can likely make any time work on that day if necessary.

A Victoria location works for us.

Let me know if that works for people at your end.

Thanks.

Jeff.

### Dunn, Paula ENV:EX

From: Sent: Armstrong, Meegan ENV:EX Friday, July 5, 2013 2:47 PM

To:

Bates, Julia ENV:EX Ranson, David ENV:EX

Cc: Subject:

Fw: BDL 2012 Stewardship Report

Attachments:

BDL 2012 PS Report Final pdf; ATT00001.c; BDL Stewardship Report-June 28 2013.pdf;

ATT00002.c

Categories:

Blue Category

JB - Over to u. Meegan Armstrong Sent from Blackberry

---- Original Message -----

From: Usman Valiante [mailto:Valiante@corporatepolicygroup.com]

Sent: Friday, July 05, 2013 12:22 PM

To: Armstrong, Meegan ENV: EX; Ranson, David ENV: EX

Cc: Bryan Cox <bcox@nationalbrewers.ca>; XT:Newton, Jeff LCLB:IN; Brian Zeiler-Kligman

<br/>
<br/>
bz-k@nationalbrewers.ca>

Subject: BDL 2012 Stewardship Report

David, Meegan:

Attached is the BDL Stewardship report and auditor's report for calendar 2012.

See you next week.

Usman Valiante

>



BC Bottle Depot Association #33030, 11198 - 84 Avenue, Delta, BC, V4C 8E6 Phone: 604-930-0003 Fax: 604-930-0060 Email bcbda@telus.net

June 28th 2013

Dear Sir or Madame

The BC Bottle Depot Association (BCBDA) submits the following comments in regards to the Encorp Used Beverage Container Stewardship Plan and Renewal 2014-2018

### Summary of Performance Objectives

### Recovery Rates

The BCBDA maintains that the Encorp Used Beverage Containers is still the best stewardship program for the recovery of materials in the province of British Columbia. The use of deposits to encourage to consumer to "do the right thing" and take materials to a bottle or recycling depot has a proven track record of success that dwarfs other stewardship programs in its simplicity and immediate results. However the deposit level of beverage containers in BC was reduced many years ago to support the Alberta Used Beverage Container Deposit Program and now BC has failed to recognise the value of that symbiotic relationship to Alberta's program and raise the used beverage containers deposit rates in BC to meet both the deposit levels of Alberta and the recovery rate success associated with the increased deposit levels and to include milk and milk substitute containers into the deposit system.

### Milk and Milk Substitute Containers

While milk and milk substitute containers are not captured in the Encorp Used Beverage Container Stewardship plan, the fact that milk and milk substitute recovery rates have seen dramatic increases in Alberta after the containers entered the deposit system in BCBDA's opinion shows a lack of faith on Encorp's part to recognise the value of their own system and plan. While Encorp manages the voluntary milk program on behalf of the dairy industry the dismal recovery rates for milk and milk substitute containers and the unwillingness of Encorp to take a leadership role to promote the inclusion of milk and milk substitute containers into deposit and / or support the efforts of the BCBDA and other groups to have milk containers included into the deposit system casts a layer of doubt that Encorp truly supports their own deposit system under their stewardship plan.

The additional fact that the Ministry of Environment need only recognise milk as a beverage (as recognised under the Canada Food Guide) and that in contrary to that the Ministry of Environment has disregarded the will of 90% or more of provincial residents or officials elected to represent them (who have demonstrated by letters of support and petitions delivered by the BCBDA to the Ministry of Environment) have allocated milk containers into the MultimaterialBC Printed Paper and Packaging (PPP) program instead

and that milk containers continue to escape the deposit system casts doubt that the Ministry of Environment supports of the deposit system. The BCBDA position is that hidden disposal fees or product price increases to consumers to cover the cost of recycling completely removes the burden of the cost of recycling product discards from manufacturers and shifts that burden to families, individuals and taxpayers in BC

Why has there not been a public review / consultation of the voluntary milk program?

#### Consumer Access

Access to bottle depots in major areas continues to be the strength of the Encorp program. However service in smaller or remote regions continues to be problematic. As recent as August 2012 the bottle depot in Nakusp closed as its depot license was not renewed by Encorp due to failed contract negotiations leaving the community without a bottle depot. Local retailers are now left with the responsibility of managing and in some cases transporting used beverage containers they accept back from consumers to the nearest depot in another city in order to get back the refundable deposit they paid back to the consumer. The lack of licensed depots in remote area creates financial hardship for retailers in those areas. In the issues of Nakusp Encorp was at the time being criticised by media and the depot operator for not being flexible in negotiations. In fact a spokesperson for Encorp was later quoted in the media as stating:

"There was scepticism about whether or not it (the depot) would be worthwhile, its borderline. The issue is distance for folks. Population is one factor distance is another.

The corporation (Encorp) wasn't sure enough returnables would be collected to make the expenditure of gas to ship them worthwhile." Unquote.

After reading the media quotes the BCBDA questions the sincerity of the contract negotiations on Encorp's part

The BCBDA would suggest that in smaller communities that have no access to a bottle depot that deposits collected at the time of beverage purchase in that area be returned to that area to groups charged with disposal to cover the cost of disposal or to reimburse or assist with the cost of those retailers now having to transport the used beverage containers to the nearest bottle depot outside their community. The same should apply to all stewards as this might give incentive for stewards to have collection points in all areas.

### **Consumer Awareness**

Encorp has made an outstanding effort to raise consumer awareness of its used beverage container program. Other stewards could benefit from Encorps examples of good marketing plans that have been launched over the past five years. Bottle depots are also required contractually by Encorp to advertise with the amount spent dependant on the volume of the depot. This advertising partnership has worked very well for the public.

### Carbon Footprint

Encorp could significantly reduce its program carbon footprint by allowing the densification of containers within depots before transport with the exception of glass.

### Cooperation with Other Stewardship Agencies

BCBDA recognises, appreciates and supports Encorp's concerns to ensure sufficient depot space is available for their program materials within "Return It" locations. To date most of the stewardship plans managed by stewards other than Encorp are not providing enough handling fees for depots to be sustainable if they were stand alone depots. The Encorp plans allow for stability of the collection network. It is only with the combined efforts of all stewards to pay the real costs of recycling that depots can sufficiently plan for future expansion and ensure adequate coverage of service province wide.

### **Depot Capabilities**

Encorp continues to demand depot expansion and renovation that has no verifiable proof of increasing depot volumes at a time when (by their own graphs included in the stewardship plan renewal) sales of beverages has declined. While the BCBDA supports good business practices and encourages depots to keep their depots as efficient and updated as possible, the BCBDA recognises that each depot is different with different business models and that updates cost money and that in its essence the used beverage container program is in place for the collection of used beverage containers not to provide an inflated experience for consumers.

Encorp has also continued to license more depots again at a time of beverage sales and return volume decline. This only serves to "water down" revenues for existing depots in and industry where currently a depot operates on approximately 15% of monies that flow through the business. Some depots have had demands from Encorp to open second locations within their territories with the assumptions that another location will capture more returns. This practice only serves to increase (sometimes doubling or more) depot operating costs. It has not been proven that another depot in the same territory increases volume recovery in that area.

Depot capacity continues to be a point of confusion. Depots are individually owned and operated and are licensed by Encorp. Encorp carries no financial risk in depot start up or operations. In the past year Encorp through contract renewal with depots has insisted that some depots relocate or expand from approximately 3,000 sq. ft. to upward of 4,500 sq. ft. In the past 5 years Encorp has also introduced the 3 and 5 star depot program to reward depots for upgrading. Now even as Encorp has now revealed at a recent public consultation that they are experimenting with reduced depot sizes of 1,500 sq. ft. or less to facilitate the use or express depots, some depot owners are finding that Encorp is still insisting that their depot expands or relocates if they want to protect their assigned territory as described in their licenses. Some depots are feeling pressured into entering into bad business models of expansion or relocation in an effort to protect their business interests. Opening additional depots in their territory only splits volumes while increasing costs. The costs of relocation do not guarantee better volume and the costs can be staggering and detrimental to depot viability.

Some depots have outright refused to upgrade to the Encorp 3 and 5 Star rating as the increased costs of upgrades would affect the depots overhead operating costs and in some cases the increased infrastructure costs have led to deficits that have affected the operator's ability to staff larger and costlier depots. As a result entire portions of some depots sit unused after major improvements have been made.

Encorp has also asked depots to enter into a Letter of Intent as Encorp positions itself to be a middleman transporter of Printed Paper and Packaging (PPP) materials collected by depots under the MultimaterialBC (MMBC) program. The cost of the additional space required to house PPP materials will not be covered entirely by financial incentives offered by MMBC. Encorp's financial incentive offer for depots that choose to collect PPP under Encorp's management has not been released as of the time of this stakeholder submission. Some depots have chosen to accept materials for other stewardship plans but as depots are seldom if ever included in the development of stewardship programs depots are unable to respond to the sudden change in collections demand.

#### **Public Consultation**

Encorp has made good and reasonable efforts for public consultation however through no fault of their own attendance at these events has been poor. Perhaps a webinar would be a good venue for out of town stakeholders to be able to attend in real time without the costs of travel.

### Section 1 Introduction

### Governance

Encorp has for the last seven years refused to recognise the BCBDA. The BCBDA as representative for the largest association of depots can assist in streamlining ssues between depot and steward. The BCBDA (as requested by members) acts as legal agent for member depots. This assignment of agency is recognised by BC law and should be respected by Encorp. The failure of Encorp to recognise the BCBDA has resulted in unnecessary hardship in working relationships between all parties.

The BCBDA has requested that BCBDA be included on the Encorp Advisory Committee and has so far been refused. As a representative of depots the BCBDA should be included on that committee to ensure transparency.

### Section 2 Program Principals

The majority of the points of the program principals are accepted by the BCBDA as good effort and design of program with the exception addressing the need and consumer demand to "design for environment and recyclability" of beverage containers. Manufacturers through Encorp could be incentivized to continually improve the recyclability of their product discards. For manufacturers who fail to address the need to provide good recyclable containers a penalty should be in place and implemented.

### Section 3 Program History

b) Sales and Recovery Growth

Encorp should continue to calculate recovery by units and not weight. Weight would offer a much more desirable performance outcome on paper for Encorp materials than per unit but performance is based on sales versus units recovered and therefore weight of recovered materials has no bearing on the actual outcomes.

c) Refer to comments of Performance Objectives, item 2.

### Mobile and Commercial Collectors

Concern has been raised recently about the practice of discounting meaning the customer does not received the full deposit back upon return of the container for recycling. Encorp recognises that discounting occurs within their system through rogue depots that exist. BCBDA maintains that Encorp licensed Mobile and Commercial Collectors who ask for a percentage of the container value or a set fee or a donation in return for pick up of the containers are also discounting. The terminology takes many forms but in the end if the customer does not receive their full refund back discounting has occurred.

Mobile and Commercial Collectors through their contract with Encorp are able to operate within depot territories thus further watering down volumes for established depots.

### Section 4 Consumer Awareness

Refer to item 3 of Summary of Performance Objectives

### Section 5 Management of Program Costs

The BCBDA maintains that the consumer is paying the lion's share of the costs of the program. With the combination with unredeemed deposits and container recycling fees the producers have relieved themselves of any financial costs of recycling. As Encorp is managing consumer's money extra care and transparency should be practiced.

Encorp and other stewards should also be made to pay the cost of disposal of materials not recovered through their programs to whatever municipal or regional entity has disposed of the materials.

Encorp's current annual report shows no reference to the substantial revenues returned to Encorp through depot audits. It is the opinion of BCBDA audits should be used to improve the system through education and not as a means of having depots comply with other issues.

### Section 6 Management of Environmental Impacts

b) Management in Accordance with Pollution Prevention Hierarchy

The submitted revised plan continues to ignore key points of consumer demand to reduce environmental impacts of packaging including the transportation of used

beverage packaging. The Encorp Stewardship Plan does not speak to encouraging manufacturers either by reward (for good environmental design of packaging) or increased manufacturer costs of participation in the program (for poor choices of packaging) to revise the design and / or material type of packing used by manufactures to reduce the environmental impacts of millions of containers sold province wide.

The densification of containers should occur at all depots to reduce transportation costs and the associated environmental costs of fossil fuel consumption pollution.

### Section 7 System Challenges

a) Depot Capacity

Refer to item 6 of the Summary of Performance Objectives

 c) Funding Sources for the Deposit / Return System Refer to Section 5

### Section 8 Dispute Resolution Process

While it appears that the described Dispute Resolution process of meetings, Mediation or when all else fails Commercial Arbitration is a fair process the process fall flat when the two parties in disagreement are a lone depot operator regardless of size and the agent for the beverage manufacturers. The BCBDA as representative to the largest number of associated depots is also unable to provide the financial resources needed to see a complaint made by a depot/s through mediation, arbitration or legal recourse.

In most case the costs of a depot attending the process is a substantial portion of the depots annual operating revenue as the dispute resolutions are always carried out at Encorp's convenience in the lower mainland. The travel and preparation costs for the individual depot are prohibitive.

The BCBDA asserts that with the disparity in conflicting party resources that there is not one depot in the province that can success fully make use of the Dispute Resolution as a result the Dispute Resolution is deemed inadequate by BCBDA.

## [2013-07-02] Fw: BCBDA Stakeholders Submission to the Encorp Stewardship Renewal 2014-2018

Subject	Fw: BCBDA Stakeholders Submission to the Encorp Stewardship Renewal 2014-2018
From	Arms trong, Meegan ENV:EX
To	Ratcliffe, Julia ENV:EX
Cc	Lawes, David ENV:EX; Ranson, David ENV:EX
Sent	Tues day, July 2, 2013 6:16 PM
Attachments	BCBDA Stakehold

Julia - FYI. Meegan Armstrong Sent from Blackberry

---- Original Message -----From: Ranson, David ENV:EX

Sent: Tuesday, July 02, 2013 05:39 PM

To: Lawes, David ENV:EX; Armstrong, Meegan ENV:EX

Subject: FW: BCBDA Stakeholders Submission to the Encorp Stewardship Renewal 2014-2018

FYI. Not sure who is handling the plan review.

----Original Message ----

From: Corinne [mailto\_bcbd@telus.net] Sent: Friday, June 28, 2013 5:02 PM

To: Ranson, David ENV: EX

Subject: BCBDA Stakeholders Submission to the Encorp Stewardship Renewal 2014-2018

#### Hi David

I hope this email finds you preparing for a great long weekend. Attached is our stakeholder submission for the Encorp Stewardship plan renewal. If you have any questions or concerns please contact me 604 930-0003

Yours truly
Corinne Atwood CAE
Executive Director BC Bottle Depot Association



- Opening and closing inventory balances at BDL warehouses are based on year-end physical counts as recorded in the LD. Edwards system.
- 3 Product collected—cans. Total number of can returns is based on the total recorded in the J D. Edwards system during the calendar year.

#### LARGIES

The following evaluation enteria were applied to the assessment of the description of performance for the year in relation to targets in the approved stewardship plan under Section 8(2)(b) and (e) of the Recycling Regulation

- 1 Target Recovery rate of 85° a.
  Recovery rate is calculated as follows: total bottles and cans returned during the period = total bottles and cans sold during the period.
- 2 Target 347 Full Return locations by 2014.
  Full return locations are those that are active as of Dec 31, have accepted returns during the year accept unlimited returns, and refund customers the full amount of the deposit per bottle or can

EPMS Confedence



#### APPENDIX 1 TO THE AUDITOR'S REPORT

#### **EVALUATION CRITERIA**

#### COLLECTION EXCHANGS

The following evaluation criteria were applied to the assessment of the location of collection facilities and any changes in the number and location of collection facilities from the previous report in accordance with Section \$(2)(b) of the Recycling Regulation.

- 1 Collection facilities are those that are active as of December 31 and have collected returns during the year.
- 2. Changes in the number of return locations are calculated based on comparison to the previous year s list.

#### PRODUCT SOLD AND COLLECTED

The following evaluation criteria were applied to the assessment of the description of biox total amounts of the producer's product sold and collected and if applicable the producer's recovery rate has been calculated in accordance with Section 8(2)(c)

- Product sold. The total number of bottles sold is based on the sales figures received from the Lignor Distribution Branch (LDB)
- 2 Product collected-bonles
  - a) The total number of bottle returns (product collected) is calculated as follows. Closing inventors balance. Opening inventors balance. Returns to browers during the calendar sear.
  - b) The quantity of bottles returned to brewers from BDL warehouses is based on records in the JD. Edwards system.

4

FF85 artifection



Brewers Distributor Limited and accordingly cannot assess whether these locations are acting as collection facilities

3 The scope of our work was limited in relation to product sales and recovery rates with respect to the non-industry standard bottles because the Brewers Distributor Limited were unable to reconcile the data provided by the non-member brewers to the sales figures provided by Liquor Distribution Branch. Non-Industry Standard Bottles represent approximately 25% of total sales of bottles.

Our report has been prepared solely for the purposes of management's stewardship under the Recycling Regulation and is not intended to be and should not be used for any other purpose. Our duties in relation to this report are owed solely to Brewers Distributor Limited, and accordingly, we do not accept any responsibility for loss occasioned to any other party acting or refraining from acting based on this report.

Toronto Canada

KPMG LLP

June 28, 2013

4



#### OPINION

In our opinion, except as described below, the Subject Matter within the Brewers Distributor. Limited Report for the year ended December 31, 2012 presents fairly in accordance with the evaluation criteria, in all material respects.

- the location of collection facilities in accordance with Section 8(2) by of the Recycling Regulation
- the description of how total amounts of the producer's product sold and collected and if
  applicable the producer's recovery rate has been calculated in accordance with Section
  828co and
- the description of performance for the year in relation to targets in the approved stewardship plan under Section 8(\*)(b) and (c) of the Recycling Regulation

#### EXCIPIIONS

- 1 This is the first audit of the Brewers Distributor Limited Report in relation to the number and location of collection facilities. KPMG audited the number and location of collection facilities as at December 31, 2012. However, the scope of our work was limited in relation to disclosures regarding changes in the number and location of collection facilities since December 31, 2011 as the prior year information has not been subject to audit. As a result, we were unable to reach conclusions in relation to assertions regarding the change in the number of collection facilities between December 31, 2011 and December 31, 2012 in accordance with Section 812(b) of the Recycling Regulation.
- 2 Brewers Distributor Limited identified two categories of collection facilities. They identified 914 locations where they have evidence to support the collection of beer containers. Brewers Distributor Limited also identified 399 locations where Brewers Distributor Limited does not have access to collection data because these locations do not return directly to warehouses of

.

BPMU confetente

#### MINISTRY OF ENVIRONMENT MEETING INFORMATION NOTE

July 16, 2013 File: 50400-25/BEV- ENCRP CLIFF/tracking #: 196276

PREPARED FOR: Honourable Mary Polak, Minister of Environment

DATE AND TIME OF MEETING: July 22, 2013, at 10:50am

ATTENDEES: Scott Fraser, new President and CEO, Encorp Pacific and Neil Hastie, former President and CEO, Encorp Pacific

ISSUE(S): Introduce new Encorp Pacific CEO and provide an update on Encorp's beverage container stewardship program

#### BACKGROUND:

Encorp, established in 1994, is a non-profit organization representing the producers of beverages (e.g., Coke, Pepsi, Nestle, etc.). They manage the collection and recycling of the majority of beverage containers in BC and handle over \$164 million annually in consumer fees and deposits.

Encorp contracts with 171 privately owned depots across BC to act as service providers for their Return-It<sup>TM</sup> depot network. In 2012, over \$51.4 million was paid by Encorp to depots in handling fees for empty beverage containers.

The Recycling Regulation stipulates minimum deposit-refund amounts for beverage containers:

- 5C for non-alcoholic containers under 1 litre
- 10C for alcoholic containers under 1 litre
- 20C for all containers over 1 litre

Brewers Distributor Ltd. (BDL) operates a separate stewardship program for domestic beer, cider and cooler bottles and imported and domestic beer cans within BC. BDL's collection network includes retailers and some of the same depots used by Encorp.

#### DISCUSSION:

Encorp's overall provincial recovery rate (78.7% in 2012) and comprehensive suite of container types that are collected make their program one of the most effective in North America. However, some container types such as small juice boxes and gable top containers have recovery rates that remain low.

Encorp is also a founding member of the Stewardship Agencies of BC (SABC). SABC was formed in 2012 to provide a forum for the growing number of stewardship agencies in BC to work together to improve service to all areas of the province, realize service delivery efficiencies and improve the recycling experience for British Columbians.

Encorp is concerned that BDL is free riding on their collection network and not paying consumers the full refund. BDL is program has financial agreements with 84 of the 171 bottle depots to collect containers. The remaining 87 depots that do not have an agreement with BDL still accept beer containers and recover their costs by providing the consumer a partial refund and then receive a full refund from BDL. The volume of beer containers that are returned to depots that do not provide a full refund is estimated to now be over 50 per cent of total depot returns. Discounting of beverage container refunds is estimated at \$3 million per year and is increasing.

Ministry staff are currently working with Encorp, BDL and depots to address the discounting issue. Ministry staff will also continue to work with BDL regarding concerns that their stewardship program is not providing free and reasonable access or paying the full cost of the collection and management of their containers, as required by the Recycling Regulation.

#### SUGGESTED RESPONSE:

It is recommended that the Minister:

- 1 Recognize that Encom's program has grown over the years to have a very comprehensive collection network of bottle depots and one of the highest overall recovery rates in Canada, but encourage continuous improvement
- Commend Mr. Hastie for his leadership in the collaborative efforts of the SABC in bringing the growing number of product stewardship programs together to improve the recycling experience for British Columbians.
- 3. Indicate that discounting of containers is an unacceptable practice that must stop. Consumers that do the work to return a container to a depot should receive a full refund. Indicate that staff have been asked to work to resolve this issue. If needed, the government will consider a regulatory amendment to correct any gaps.

Contact:	Alternate Contact:	Prepared by:
Jim Standen	David Ranson	Julia Ratcliffe
Assistant Deputy Minister	Executive Director	Environmental Management Analyst
Environmental Protection	Environmental Standards	Environmental Standards
250-387-1288	250-387-9933	250-387-9774

Reviewed by	Initials	Date
DM		
DMO		
ADM		
Dir.	DR	July 16
Mgr	DL	July 16
Author	JR	July 10

#### 013-07-20 BDL Stewardship Plan Enhancements

bject	BDL Stewardship Plan Enhancements
DETT	Newton, Jeff
	Lawes, David ENV:EX
	Shoemaker, Wes ENV;EX; 'david.ranson@goc.bc.ca'; Standen, Jim EfiV;EX; Minister, EfiV ENV;EX; Cox, Bryan; Zeiler-Kligman, Brian; Vallante, Usman
nt	Saturday, July 20, 2013 9:25 AM
tachment	BC MOE F

#### avid:

in the rto our discussion on July  $10^{th}$  please find attached the letter you requested regarding our anned enhancements to the BOL stewardship plan.

6



July 19, 2013

Mr. David Lawes
Unit Head, Waste Prevention
BC Ministry of Environment
P.O. Box 9341, Station Prov. Govt
Victoria, British Columbia
V8W 9M1

#### Dear David:

I am writing further to our meeting of July 10<sup>th</sup> regarding the Brewers Distributor Limited (BDL) stewardship plan for refillable beer bottles, glass cider containers and beer cans.

As discussed at our meeting, BDL intends to undertake a number of initiatives to further improve the operational performance of its stewardship plan, a plan that already achieves one of the best diversion rates of any stewardship program in the province -- 93% of all containers sold under the plan are collected for reuse or recycling.

While the BDL plan already operates with a comprehensive set of container return locations (a number that has more than doubled since 2009 and which already includes contracted depots in excess of the number referenced in our current stewardship plan), we nonetheless remain committed to the principle of continuous improvement and to ensuring that BC beer and cider consumers have access to a convenient and cost efficient network of container collection facilities.

Accordingly we are pleased to inform you that the following program enhancements will be undertaken in the 18 months remaining in our current stewardship plan term:

#### 1.) Accessibility Assessment & Action Plan

We will be conducting a complete province-wide GIS mapping of all our current collection facilities (both return to retail and depots) to evaluate the overall level of consumer access. This GIS analysis is scheduled for completion on or prior to September 30, 2013. Based on this GIS analysis, the results of our planned consumer survey (detailed below), and an analysis of current consumer return patterns, we will then develop an action plan to address any gaps identified in our collection facility coverage. This will be accomplished either through the addition of more contracted depots, retailers or alternative container collection options. BDL is prepared to share the results of this analysis and our action plan with the Ministry on a confidential basis once it is complete.

..../2

Subject to our ability to negotiate commercially reasonable contracts with container collection facility operators, our plan is to fully implement the action plan flowing from this analysis prior to the expiry of our current stewardship plan in November 2014.

#### 2.) Return to Retail Expansion Plan

BDL will be leveraging its recently re-negotiated partnership with the Alliance of Beverage Licensees of BC (ABLE BC). Under this agreement BDL will extend an open offer of a container collection contract to all private liquor stores who agree to accept unlimited returns of beer containers from consumers. In turn, ABLE BC will work with BDL in communicating the benefits of such contractual arrangements with BDL. BDL also plans to engage in its own direct communication with private liquor store operators to encourage them to partner with us.

Communication from ABLE BC to all private liquor stores explaining this initiative was completed prior to July 1, 2013. BDL's direct outreach efforts to private liquor stores will commence shortly. A specific target regarding the number of collection locations we hope to add to our existing network through this effort will be finalized following the completion of the accessibility assessment referenced above and will be reported to the Ministry.

As discussed at our July 10" meeting our efforts to recruit more private liquor stores as contracted collection facilities would be enhanced if the stewardship agency for wine and spirit containers would undertake a similar effort. If both programs were to extend a collection contract offer to these locations (locations that are required by law to collect empty beer, wine and spirit containers), then the economic benefits of their participation as collection facilities would be enhanced and consumer convenience would be greatly improved. Any support you can provide in this area would be greatly appreciated.

#### 3.) Enhanced Public Communications

BDL has four planned enhancements to its program communications effort:

#### a. Return to retail poster campaign

As part of our partnership agreement with ABLE BC, BDL is providing a poster to all private liquor stores who contract with BDL on container returns. The poster has been designed to help the store communicate to consumers the fact that they accept unlimited beer container returns (under the Recycling Regulation retailers are only obligated to accept up 24 containers per day from any individual). New private liquor stores who sign up with BDL as an authorized collection facility will also receive a copy of the poster when they sign their collection agreement with BDL. This poster has already been printed and distribution to existing contracted private liquor stores has already commenced.

.../3

#### b. Depot Poster

A poster similar to that provided to our return to retail locations will also be developed for our contracted depot locations. Distribution of this poster will be completed prior to the end of 2013.

#### Website Enhancement

The program's website (<a href="www.EnviroBeerBC.com">www.EnviroBeerBC.com</a>) will also be undergoing a complete re-design. The launch of this newly designed site is scheduled for the fall of 2013. The new site will be mobile friendly and will have a number of other new features intended to ensure that it is optimized in internet search results. One of the prominent features on the website will be a return location locator that will enable consumers to locate a nearby collection site that is part of the program by inputting their postal code.

#### d. RCBC Recycling Hotline and Recyclopedia Improvements

At present, no retail locations are identified when consumers access the RCBC Recycling Hotline or Recyclopedia when searching for a return location even though all such retail locations are required by law to accept returns of beer containers. To address this issue BDL will provide RCBC with an updated list of BDL authorized return locations (including all retail locations serviced by BDL) to ensure that these locations are identified to consumers who call the RCBC Recycling Hotline or access the RCBC Recyclopedia. BDL will also inform RCBC of any changes to BDL's return location network (additions and deletions) on a bi-annual basis to ensure that this information remains current.

#### 4.) Consumer Survey

BDL will also undertake an additional consumer awareness and opinion survey regarding both the return of beer containers and the secondary packaging associated with beer containers. This survey, which will be completed in the fall of 2013, will help BDL design its accessibility action plan referenced above, develop the next iteration of its stewardship plan in 2014 and help implement its proposed stewardship plan for secondary packaging.

As we move forward with the above initiatives I think it is also worthy to note that we intend to continue the financing of our stewardship model through a true producer pay/cost internalized funding model for the balance of our existing plan term. While other programs have elected to externalize the cost of operating their programs on to the consumer (bringing into question their compliance with the Recycling Regulation

.../4

requirement that consumers be provided "free" access to collection facilities), the BDL program will continue to operate without "Eco-Fees".

We welcome the opportunity to work with the Ministry on the on-going improvement of our stewardship plan and accordingly remain open to answering any questions you may have about that plan or any of the initiatives outlined in this letter.

Sincerely,

Jeff Newton President

CC: The Honourable Mary Polak, Minister of Environment Wes Shoemaker, Deputy Minister, Ministry of Environment Jim Standen, Assistant, DM, Environmental Protection Division, MoE David Ranson, Executive Director, Environmental Standards Branch, MoE Bryan Cox, Vice-President, Canada's National Brewers Brian Zeiler-Kligman, Director, Sustainability, Canada's National Brewers s.22

Subject	Issues DL may want to tackle	s.22
From	Armstrong, Meegan ENV:EX	
To	Bates, Julia ENV:EX	
Sent	Thursday, July 25, 2013 4:41 PM	

s.13, s.14

C. Meegan Armstrong | Project Manager - Industry Product Stewardship |
Environmental Quality Branch | Ministry of Environment
3rd Floor - 2975 Jutland | Victoria BC | V8W 9M1
T: 250.387.9944

#### Dunn, Paula ENV:EX

From: WWW ENVMail ENV EX

Sent: Thursday, July 25, 2013 12 01 PM
To: Correspondence Unit ENV EX

Subject: FW Rivers Reach Beer & Wine Store, New Westminster

Follow Up Flag: Follow up Flag Status: Completed

Categories: Lindsay

From s.22

Sent: Wednesday, July 24, 2013 1:50 PM

To: WWW ENVMail ENV:EX

Subject: Fw: Rivers Reach Beer & Wine Store, New Westminster

I sent an email to the Liquor Control and Licensing Branch thinking they were the ones to send complaints and comments to. I'm happy they responded with the right contact department to forward this to.

Please review my original email and have someone look into this. Thank you very much.

s.22

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---- Forwarded Message -----

From: LCLB LCLB EX < ob lob figov bc ca>

To: ' s.22

Sent: Monday, July 22, 2013 2 22 32 PM

Subject: RE Rivers Reach Beer & Wine Store, New Westminster

Deal s.22

Thank you for writing to the branch with your concerns. The recycling regulation under the authority of the Ministry of Environment stipulates that a licensee Retail Store (private liquor store) must accept up to 24 empty container returns per person per day for the products brands and sizes they self. They are allowed to refuse to accept any container that in rusty, dirty or contaminated but only for those reasons.

Management and regulation of this program is outside of the branch's jurisdiction. However, you can call the Ministry of Environment at 250-387-9933 (that's the direct number to the people who manage the bottle return program, not the main ministry number) and they should be able to help you further

Liquor Control and Licensing Branch Ministry of Justice

http://www.pssg.gov.bc.ca/lclb

From s.22

Sent: Monday, July 22, 2013 2:12 PM

To: LCLB LCLB:EX

Subject: Rivers Reach Beer & Wine Store, New Westminster

For the past three Sundays I've attempted to return empty liquor bottles to Rivers Reach and they will not accept them as they claim that they will not take bottle due to various excuses. Last Sunday they claimed they will not take

1

empties because they were doing a bottle drive for a little league baseball team. Because of this, I needed to make my way to two other locations and asked them if they were busier because of Rivers Reach not accepting empties, and I found out that they do this every Sunday and the other Beer & Wine stores are flooded with empties because of this. This is not fair to their regular customers, and I will not be purchasing liquor from them from this point on... which is sad as they are the closest Beer & Wine store to my location but I cannot support a company that does not follow the laws & regulations. It appears that they are 'put' out by taking empty returns on a Sunday, and this is the third Sunday this has happened for me.

I would appreciate it if someone would look into this as I would like to return my empties where I purchased them from.

s.22

- CAST STREET

2

#### [2013-08-02] FW: Recycling Depot of West Kelowna



#### Dunn, Paula ENV:EX

From: Ratcliffe, Julia ENV.EX

Sent: Friday, August 2, 2013 1 55 PM To: Ratcliffe, Julia ENV EX

Subject: FW Recycling Depot of West Kelowna

From: Ratcliffe, Julia ENV:EX

Sent: Friday, August 2, 2013 1:54 PM

To s.22

Subject: RE: Recycling Depot of West Kelowna

Dear s 22

Thank you for your email regarding deposit-refunds on empty beverage containers.

The producers (i.e. Molson, Coke, etc.) of beverages sold in British Columbia (BC) are responsible for the collection and recycling of their empty beverage containers. To jointly carry out their obligations, the producers have formed two industry product stewardship agencies to provide for the management of empty beverage containers: Brewers Distributor Limited and Encorp Pacific. Brewers Distributor Limited serves as a stewardship agency for most domestic beer and some cider brands. For all other beverage types including wine, coolers, spirits, import beer and non-alcohol beverages, Encorp Pacific serves as the industry stewardship agency.

In addition to retail stores that are obligated to provide a full deposit-refund, these stewardship agencies may contract with collection facilities or bottle depots to provide a full refund for their containers. Brewers Distributors Limited has a more than 93 per cent province-wide beverage container recovery rate, with all sellers of domestic beer paying a full refund amount; however, Brewers Distributors Limited contracts with only a limited number of BC's independently owned and operated depots to provide a full deposit-refund to consumers for empty domestic beer cans and bottles. While some of the depots that do not contract with Brewers Distributors Limited will still accept their empty beer containers, they are not paid a handling fee to process these containers. As a result, the depots discount the deposit-refund to cover their expenses. The depots offer this as a convenience to consumers.

For more information on full refund locations for domestic beer bottles and cans, visit the Brewers Distributor Limited's website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a href="https://www.erwirobeerbc.com">www.erwirobeerbc.com</a> or the Recycling Council of BC website at <a hr

Thank you again for writing and enquiring about deposit-refund policies.

Sincerely.

Julia Ratcliffe

Julia Ratcliffe, A.Ag.

Analyst, Waste Prevention I neuronmental Standards, III. Ministry of a neuronment -250 cm<sup>2</sup> 9754 From:

Sent: Friday, July 26, 2013 3:56 PM

To: ESB ENV:EX

Subject: Recycling Depot of West Kelowna

Hello,

I am not sure who to direct the following query to but it is in regards to the recycling depot in the district of West Kelowna BC. Specific location of: Boucherie Self Storage & Bottle Depot 2711 Kyle Rd, West Kelowna, BC V1Z 2M9

Myself and several of my neighbors have noticed when returning the bottled and can beer to the recycling depot on the Westside that they refund 20% less than the depots in Kelowna. IE 8 cents vs. 10 cents.

Is there a regulation on refunding recycling products in BC and by district? Can the Westside depot refund less than their counterparts in Kelowna?

Thanks for your input on this.

s.22

Pages 114 through 117 redacted for the following reasons:

s.13, s.14

#### Dunn, Paula ENV:EX

From:

Ratcliffe, Julia ENV:EX

Sent:

Tuesday, August 20, 2013 1:21 PM

To:

s.22

Subject:

Beverage container returns to Rivers Reach Beer and Wine, New Westminster

Hi s.22

Thank you for your email of July 24th explaining the challenges you have found with returning your beverage containers. I apologize for not getting back to you sooner.

Today I spoke with a manager at the Rivers Reach Beer & Wine Store about the issues you raised and provided them with a factsheet explaining the requirements. The manager is aware that they must provide full beverage container deposit refunds during all store hours, as long as the containers are not contaminated, rusty or dirty.

I trust that you will not have any more problems returning your containers to their store.

Best Regards,

Julia

Julia Ratcliffe, A.Ag.

Analyst, Waste Prevention

Environmental Standards. BC Ministry of Environment

#### ADVICE TO MINISTER

## CONFIDENTIAL ISSUES NOTE

Ministry: Environment

Date Created: September 20, 2012 Last Updated: September 10, 2013 Minister Responsible: Mary Polak

## Recycling – Extended Producer Responsibility & Packaging and Printed Paper

#### ADVICE AND RECOMMENDED RESPONSE:

- I am aware of concerns raised by some business organizations, as well as some local governments, about the financial implications of MMBC's proposed curbside collection program for Packaging and Printed Paper (PPP).
- MMBC is continuing to engage stakeholders, to work through these concerns.
- Extended Producer Responsibility (EPR) programs are one of the most successful
  methods of waste reduction, putting the onus on producers to take full responsibility for
  the collection and recycling of their products and packaging.
- The objective of these programs is to remove the costs from the local taxpayer and shift them to the producers and actual consumers of the products.
- EPR provides an incentive to manufacturers to redesign products so they are less toxic and more durable, reusable, and recyclable – extending product life spans.
- B.C. has more programs than any other jurisdiction in North America and continues to be an innovative leader in EPR. In July 2012, B.C. was awarded the highest ranking (A-) in the country for EPR programs on EPR Canada's National Report Card.
- The Province holds producers to the commitments outlined in their approved stewardship plans and will continue to work within its regulatory scope to ensure EPR programs in BC are meeting the requirements of the Recycling Regulation.
- B.C. is on track to meet the targets outlined in the CCME Canada-wide Action Plan for EPR, including implementing a curbside collection program for Packaging and Printed Paper (PPP) by May 2014.

#### If asked about small business concerns:

- MMBC committed to developing a draft small business policy that will lessen the burden on small business, and in some cases eliminate any burden by assuming responsibility on their behalf by setting a de minimis.
- Beginning Sept 9<sup>th</sup>, 2013, MMBC is intending to consult on this draft policy with the Canadian Federation of Independent Business, Chamber of Commerce and other small business interest groups.
- MMBC intends to expand the Board and develop an industry advisory committee open to representatives from affected sector and trade associations.
- MMBC will also extend the Sept 20 deadline for small businesses to register with MMBC until the consultation is complete.

If asked about local governments concern with MMBC's financial incentive (market clearing

#### price):

- For the past decade, local governments have requested the province regulate EPR for Packaging and Printed Paper and accelerate the development of new programs. The Province has received 16 UBCM resolutions asking for EPR for PPP.
- The Union of BC Municipalities (UBCM) established a PPP Working Group in 2012 that
  provided recommendations into the process and requested that local governments have
  the first right of refusal for service contracts. MMBC amended their plan to provide this.
- On May 31, 2013 MMBC released the financial incentives (market clearing price) it is proposing to offer to local governments. MMBC has requested local governments respond to their financial incentive offer by September 16, 2013.
- Each local government will need to consider collection incentives within its specific circumstances to determine if they will accept the MMBC financial incentive and continue to provide curbside recycling.
- As municipalities are now acting in the capacity as a potential service provider to MMBC, the contract issues are considered business-to-business negotiations and therefore the Province is reticent to intervene.
- It is anticipated the majority of local governments will regard the financial incentive offers as fair and reasonable. Those who reject the financial incentive will hand over responsibility to MMBC, who will contract with a private company or not-for-profit service provider.
- The approved MMBC Plan includes commitments to increase PPP recycling (types PPP and recovery rate) and collection service province wide.
- The Province expects that the outcome will be higher recycling results at lower per/unit costs for the consumer/taxpayer.

#### If asked about local governments being considered a 'Producer':

- The definition of PPP does not exclude sectors. Local governments, like the provincial government, will be considered producers of PPP under the Recycling Regulation because they distribute brochures, calendars and other materials that end up in residential waste streams.
- The MMBC plan is designed to increase convenience for residents by expanding the materials collected and ensuring there are no differences between what residents in one municipality can recycle compared to its neighbour.

#### Key Facts Regarding the Issue:

#### Packaging and Printed Paper (PPP)

- Waste composition studies for the province show that PPP still accounts for approximately 25
  per cent (by weight) of the waste disposed in landfills.
- In 2009, the Canadian Council of Ministers of the Environment (CCME) agreed to develop a Canada-wide Action Plan for Extended Producer Responsibility and called for all jurisdictions to implement an EPR program for packaging and printed materials by 2015.
- In May 2011, the Recycling Regulation was amended to include PPP (all paper printed with text
  or graphics such as newspapers, flyers, and phonebooks).
- As required under the Regulation, producers were required to submit a stewardship plan to MoE by November 19, 2012 and implement their approved stewardship plan by May 19, 2014.
- Two stewardship plans were received on November 19, 2012;
  - Multi-Materials British Columbia (MMBC) is the stewardship agency that was been

#### ADVICE TO MINISTER

appointed by the majority of producers of PPP.

- Brewers Distributor Limited (BDL) submitted a stewardship plan on behalf of the majority of beer secondary packaging generated in the B.C. marketplace.
- MMBC's plan was approved by the Director of Waste Management on April 15, 2013.
- BDL's plan is currently undergoing regulatory review and a decision is pending.
- In accordance with the approved plan, local governments are being offered first right of refusal to continue to operate as collectors of PPP under the MMBC program.
- Upon implementation in May 2014, the MMBC program will provide an additional 102,000 households in B.C. with curbside collection of PPP, increasing the overall number of households with curbside recycling in B.C. to 1,443,725.

#### Extended Producer Responsibility (EPR):

- To date, EPR programs in B.C. have:
  - Created more than 1,600 direct employment positions in B.C. and a further 500 indirectly related to EPR programs.
  - Diverted over 121,000 tonnes of solid materials and over 51 million litres of used oil, solvents, flammables, pesticides and gasoline from landfills in B.C.
- A 2013 study projects that by 2022, B.C.'s EPR programs as identified in the CCME Action Plan will:
  - Reduce garbage collection and landfilling costs by \$146.8 million;
  - Save 3,322,979m of landfill space across B.C.;
  - Reduce net greenhouse gas (GHG) emissions by 1,107,993 tonnes of eCO<sub>2</sub> (i.e., equivalent to removing 246,500 cars from the roads a year);
  - Save approximately million 12,929 GJ of energy (i.e., the energy content of over 2 million barrels of oil) from the reduction in extraction/processing of virgin materials and avoided landfilling; and
  - Have a significant positive net impact on job creation, creating approximately 7,700 jobs.

Communications Contact Bnan Cotton 250 387-9618
Program Area Contact: David Lawes 250 387-3588





## Your obligations as a retailer or seller of ready to serve beverages in British Columbia

#### The Ministry of Environment

The Ministry of Environment is responsible for oversight of the province's Beverage Container deposit-refund system. This fact sheet is intended to assist retailers understand their obligations under this system.

#### Deposit-Refund

Since the early 1970s, sellers of ready to serve beverages in containers have been required to participate within the province's beverage container deposit-refund system. Current legislation prescribes deposit-refund requirements for sellers of beverages in containers scaled by their manufacturer for all ready to serve drinks except milk, milk substitutes. rice milk, soya milk, flavoured milk, infant formulas, meal replacements, and dietary supplements.

The regulation prescribes minimum deposit-refund levels as 5 cents for non-alcohol containers up to one litre in size and 20 cents for all containers greater than one litre. For containers of alcoholic beverages, such as wine, spirits and beer, the minimum deposit is 10 cents for containers up to one litre in size.

Specific requirements for retailers as sellers of beverages are to:

- Collect beverage container deposits at the point of sale and pay refunds for redeemed containers in an amount equal to the deposit collected.
- Retailers are entitled to limit the total number of returns to 24 containers per person per day of the same brand and type that the retailer sells.
- There is no obligation to accept for refund any container that is: contaminated; rusty; dirty; purchased outside of British Columbia; or which cannot be reasonably identified as a deposit bearing beverage container.

Ministry of Environment Octics at the Dareston

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I associated Processes Dayson

Mailing Address

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Vertical BC V=W=VP

which providing good by its

## Contacts for deposit-levels, fees and container pick-up

The deposit-refund system is not operated by government and there are no statutory fees or charges remitted to government under the system. To jointly carry out its deposit-refund obligations within a common province-wide system. Brewers Distributor Ltd. (BDL) serves as a stewardship agency for most domestic beer brands. For all other beverage types including wine coolers, spirits, import beer and non-alcohol beverages. Encorp Pacific (Canada) serves as the industry's container stewardship agency. These organisations can assist retailers to coordinate empty beverage container collection for recycling and provide information on minimum deposit-refund levels and fees or charges that may be applied to different beverage container types.

### Legal basis

The Recycling Regulation (B.C. Reg. 449 2004) was enacted in October 2004 under authority of the *Environmental Management Act*. Persons contravening the Regulation commit an offence and may face enforcement action which can include tickets of \$115 per offence for failing to pay a container refund or fines of up to \$200,000 upon conviction.

To understand specific legal obligations, retailers are advised to consult the Environmental Management Act and Recycling Regulation directly. For information purposes the regulation is available online at www.qp.gov.bc.ca.statreg.reg.E.EnvMgmt.449\_2004.htm.

Official copies of the Act or Regulation can be obtained from

Crown Publications 106 Ontano St Victoria, BC V8V 1M9 Tel (250) 386-4636 or Toll Free 1-877-747-4636 Fax (250) 386-0221 www.crownpub.bc.ca

#### More information:

Ministry of Environment (Regulatory Issues) Julia Bates Telephone (250) 356-9089 Email Julia Bates if gov be ca

Encorp Pacific (Non-alcoholic, wine and spirit containers) 1-800-330-9767 or lower mainland (604) 473-2400

Brewers of Canada Limited (Beer container returns) 1-800-661-2337

#### Dunn, Paula ENV:EX

From: Sent: Minister, ENV ENV:EX

To:

Thursday, September 19, 2013 5:18 PM

Subject:

Correspondence Unit ENV:EX

Attachments:

FW: BDL Stewardship Plan Enhancements BC MOE Follow up Letter July 2013 - FINAL.pdf

Follow Up Flag:

Follow up

Flag Status:

Flagged

Categories:

Gail

#### LYCKPD-ES0

From: Newton, Jeff [mailto:]Newton@nationalbrewers.ca]

Sent: Saturday, July 20, 2013 9:25 AM

To: Lawes, David ENV:EX

Cc: Shoemaker, Wes ENV:EX; 'david.ranson@goc.bc.ca'; Standen, Jim ENV:EX; Minister, ENV ENV:EX; Cox, Bryan;

Zeiler-Kligman, Brian; Valiante, Usman

Subject: BDL Stewardship Plan Enhancements

David:

Further to our discussion on July 10<sup>th</sup> please find attached the letter you requested regarding our planned enhancements to the BDL stewardship plan.

Jeff



Bull Hasset & Luper 18 600 Food Letter DIS Best Cetting Street Selector RC VII 181 7 004 667 61/5 7 004 641 4949

Reply Attention of Direct Phone Direct Fax E-mail Our File Date David Bursey 604 641 4969 604 646 2563 dwb@bht.ccm 98-2742 June 3, 2013

Mr David Ranson Executive Director Environmental Standards Branch Ministry of Environment P O Box 9341 Stn Prov Govt Victoria, BC V8W 9M1

Dear Mr Ranson

Re: Brewers Distributor Limited - Protection of Confidential Information

We represent Brewers Distributor Limited (BDL) on this matter—BDL has serious concerns about the failure of the Environmental Standards Branch (ESB) to respect the commercial sensitivity of information BDL shared with ESB related to the issue of discounted beverage container deposits. The ESB's breach of confidentiality has harmed BDL in the marketplace—Further, it has damaged BDL's trust in ESB on this issue.

BDL would like to convene a meeting with you to discuss ESB's actions and find a common understanding on how to proceed in the future. BDL has already been in communication with the Deputy Minister's office on this issue.

BDL's concern arises from ESB's recent actions related to the draft plan that BDL provided to ESB in early May (the "draft BDL Plan"). BDL provided that plan to ESB in draft form, with the understanding that it was confidential and BDL would have the opportunity to discuss the plan with ESB before it was finalized. The draft plan was not intended for public distribution.

Instead of arranging a meeting to discuss the draft BDL plan bilaterally with BDL, ESB convened a meeting with BDL's competitors and commercial partners on May 30<sup>th</sup> – on short notice – to discuss the discounting issue and the draft BDL plan. The discounting issue has many aspects that warrant discussion, yet a focal point of the meeting was to be BDL's draft plan. ESB also expected BDL to present the plan to the group



That meeting was not the appropriate way to consult with stakeholders on BDL's plan BDL wished to finalize the plan first before it engaged in consultation with its stakeholders. BDL also intended to plan the timing and manner of consultation in a way that respected its relationships with its commercial partners and other stakeholders.

BDL expressed its concerns about the meeting to ESB. Briefly summarized, the concerns included the following.

- The plan was not intended for public release, particularly before BDL had the
  opportunity to meet with its commercial partners to convey the plan and its
  implications.
- Releasing the draft BDL Plan to BDL's competitors and commercial partners would harm BDL's commercial interests.
- BDL cannot arrange to attend the meeting on such short notice;
- The discounting issue involves many inter-related issues and actors, yet the BDL plan is given disproportionate focus, and
- . It was inappropriate to have others comment on BDL's draft Plan.

Despite BDL's objections, the meeting proceeded without BDL. ESB distributed a meeting agenda on May 28, 2013 that included as an agenda item: "BDLs Plan to resolve discounting issue and ensure compliance". The pre-emptory nature of the notice and discussion on the BDL draft Plan, even if only in general terms, was inappropriate

Since the May 30 meeting, BDL has received calls and e-mails from its contracted depots expressing concern about the draft BDL Plan ESB actions have harmed the relationship between BDL and its depot partners. Even the ESB's description of the agenda item itself, in particular the reference to "ensuring compliance" when no determination of non-compliance has been rendered, casts a negative and unfair shadow on BDL's reputation in market.

If BDL is to continue to share information voluntarily with ESB on this and other issues, BDL must be assured that ESB will not disclose commercially-sensitive BDL information to third parties unless agreed to by BDL or otherwise required by law.



For these reasons, BDL would like to arrange an early opportunity to meet with you to resolve its concerns. You may communicate with Brian Zeiler-Kligman (phone: 416-458-8293 / e-mail <a href="mailto:bz-k@nationalbrewers.ca">bz-k@nationalbrewers.ca</a>) or me to arrange the meeting.

In the interim, I would be pleased to answer any questions.

Yours truly.

Bull. Housser & Tupper LLP

David Bursey

CC: Wes Shoemaker, Deputy Minister, Ministry of Environment

Pages 128 through 133 redacted for the following reasons:

s.13, s.14

## [2013-09-23] BDL 2012 Stewardship Report

Subject	FW: BDL 2012 Stewardship Report	
From	Bates, Julia ENV:EX	
То	Ratcliffe, Julia ENV:EX	
Sent	Monday, September 23, 2013 1:09 PM	
Attachments	BDL 2012 PS Report Final  ATT00001  BDL Stewardsh	
	ATT00002	

----Original Message ---From: Armstrong, Meegan ENV:EX
Sent: Monday, July 8, 2013 10:56 AM
To: Bates, Julia ENV:EX
Subject: Fw: BDL 2012 Stewardship Report

Meegan Armstrong Sentfrom Blackberry

---- Original Message ----

From: Usman Valiante [mailto:Valiante@corporatepolicygroup.com]

Sent: Friday, July 05, 2013 12:22 PM

To: Armstrong, Meegan ENV:EX; Ranson, David ENV:EX

Cc: Bryan Cox <bcox@nationalbrewers.ca>; XT:Newton, Jeff LCLB:IN; Brian Zeiler - Kligman <bz-

k@nationalbrewers.ca>

Subject: BDL 2012 Stewardship Report

David, Meegan:

Attached is the BDL Stewardship report and auditor's report for calendar 2012.

See you next week.

Usman Valiante

>

# Brewers Distributor Limited Annual Report to the Director

## 2012 Calendar Year

Submitted to: David Ranson

Director, Waste Management PO Box 9341, STN PROV GOVT

Victoria, BC V8W 9M1

Prepared by: Mike Allen

General Manager Brewers Distributor Ltd 11500 29 Street SE Calgary, AB T2Z 3W9 P (780) 732-6535

June 28, 2013

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#### 1. Executive Summary

franchis mining	Refillable Glass Beer, Cider and Cooler Containers and Aluminum Beverage Alcohol Cans
Promote Dis	nttp://www.envirobeerbc.com

Employ Superior	Tesk	Dr. Anna Carrierant	
Part 2, section 8(2)(a)	Public Education Materials and Strategies	March 2011 consumer survey shows 98% of consumers know about the deposit on beer containers and satisfaction with return options is over 90% Began social media strategy in March 2012 (@EnviroBeerGuy on Twitter) Continued advocacy for strengthening of deposit-return system through the regulatory review of Schedule 1 of the Recycling Regulation Spoke at over 6 conferences with attendance in excess of 3,500 people in 2012 BDL joined Executive Committee of Stewardship Agencies of BC (driving overall consumer awareness of product stewardship in BC)	
Part 2, section 8(2)(b)	Collection System and Facilities	BDL delivers beer to all retail locations and licensed establishments and collects containers at retail locations, licensed establishments and container depots.  Swarehouse/cross dock facilities and 44 delivery vehicles.  There are 1,313 container redemption facilities for beer containers in the province	
Part 2, section B(2)(c)	Product Environmental Impact Reduction, Reusability and Recyclability	<ul> <li>20 % of containers are refillable glass containers:         <ul> <li>90% reduction in energy use;</li> </ul> </li> <li>80 % of containers are recyclable aluminum cans;         <ul> <li>95% reduction in energy use;</li> </ul> </li> <li>All associated secondary packaging is returnable</li> <li>Waste diversion of 34,442 tonnes;</li> <li>Avoided energy = 736,000 gigajoules</li> </ul>	
Part 2, section 8(2)(d)	Pollution Prevention Hierarchy and Product / Component Management	Avoided Pollutants:  1. GHG Emissions = 70,990 MTCO2E;  2. 237 tonnes of nitrogen oxides;  3. 742 tonnes of sulfur oxides;  4. 303 tonnes of particulate matter;  5. 28,690 tonnes of solid waste production.	
Part 2, section 8(2)(e)	Product Sold and Collected and	592 million containers sold;     92.8 % recovery rate.	
	Recovery Rate	See Section 7 for breakdown per regional district	

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term by Reptierles Internets	Truck	S bearing and
Part 2, section 8(2)(f)	Summary of Deposits, Refunds, Revenues and Expenses	Deposits Received: \$59,709,307 Deposits Refunded: \$56,863,271 Audit of B.C. Brewers' Recycled Container Collection Council Financial Statements and Third Party Test procedures in accordance with Sections 8(2)(b), (d) and (e) of the Recycling Regulation conducted by KPMG LLP.

Part 2	ection 8(2)(g), See full list of targets in Plan	Performance	
Priority Stewardship Plan Targets (as agreed with ministry file lead)	Performance	Strategies for Improvement	
85 % return rate in all container categories	92.9 % return rate for aluminum cans; 92.6 % return rate for refillable glass bottles.	N/A	

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#### 2. Program Outline

Brewers Distributor Limited (BDL) is a joint venture company owned by Molson Breweries and Labatt Breweries of Canada tasked with distribution of beer throughout Western Canada.

BDL operates warehousing and distribution facilities throughout British Columbia and distributes beer to all types of provincial liquor stores including government-run LDB outlets, private licensee retail stores (LRS) and LDB rural agency stores (private businesses authorized by the LDB to sell liquor with other goods in smaller or remote communities) as well as bars, restaurants, and other licensed establishments.

In addition to distribution of full goods, Brewers Distributor Limited (BDL) collects refillable domestic beer, cider and cooler glass bottles and imported & domestic beverage alcohol cans sold in British Columbia on behalf of beer stewards. Much of this container recovery occurs as a closed loop with container returns piggy-backing on in bound movement of trucks that have finished delivering full goods.

Beer stewards are comprised of breweries and other beverage manufacturers operating in the province as well as import brewers who designate BDL as their product steward when they obtain Liquor Distribution Branch (LDB) approval to sell their products into British Columbia.

A list of brewers and other manufacturers that subscribe to the BDL system is included in Appendix A.

The stewards use glass containers that include the industry standard brown refillable glass beer bottle as well as non-standard proprietary refillable beer, cider and cooler bottles. BDL also distributes and collects beer kegs.

Brewers that subscribe to BDL fund its product stewardship functions through a cost recovery mechanism established by the British Columbia Brewers' Recycled Container Collection Council (the Council). The Council is a not-for-profit society comprised of domestic and import beer industry representatives. Costs incurred by brewers in funding the container recovery system are internalized in brewers' cost-of-doing-business and are not levied to consumers as an additional visible eco-fee separate from the shelf price.

Consumers can return beer containers to retail locations where beer is purchased or to container return depots. BDL collects its containers from licensees, retail locations and selected container return depots. Refillable bottles collected by BDL are returned to manufacturers for reuse. Aluminum cans are compressed and sent to ALCOA in the United States to be recycled into new cans and other products.

Information on BDL's product stewardship system can be found at www.beerbottlerefund.com.

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#### 3. Public Education Materials and Strategies

BDL continues to enjoy strong consumer awareness and satisfaction with our stewardship program.

In 2012, BDL's public education strategy has focused on:

- Educating stakeholders, including the public, about how BDL's stewardship system operates
  and the environmental benefits it delivers to BC's environment.; and,
- Promoting the authorized return locations in our stewardship plan (more on this below).

Public opinion research has shown that once stakeholders have a better understanding of the performance of BDL's stewardship program, they become ambassadors of the BDL stewardship program, driving greater awareness and participation as the system strives to achieve 100% recovery, reuse and recycling

In 2012 BDL participated in the regulatory review of Schedule 1 of the Recycling Regulation where brewers advocated strongly in favour of strengthening BC's robust deposit-return system through higher deposit levels and strengthening return-to-retail (measures that dramatically increase environmental performance at minimal economic cost).

BDL is an advocate of system efficiency and continued requirements for beverage containers to be utilized at higher levels on the pollution prevention hierarchy (i.e. not allow waste-to-energy in this product category)

Throughout the operation of its system and as part of its advocacy of British Columbia's most effective EPR program BDL cultivates relationships with commercial partners, municipal governments, environmental groups and other stakeholders using every opportunity to educate and engage these groups.

BDL's public education strategies included stakeholder engagement through public speeches at sustainability conferences and meetings. In total, BDL representatives spoke at over half a dozen conferences with attendance in excess of 3,500 people in 2012. BDL also strengthened and/or developed relationships with a number of significant stakeholder groups, including UBCM, the David Suzuki Foundation and GLOBE.

In March 2012, BDL began a social media strategy. Canada's National Brewers' Director of Sustainability is now tweeting regularly (@EnviroBeerGuy) about Canadian brewers' stewardship programs and activities across Canada, including BC. By the end of 2012, @EnviroBeerGuy had over 375 followers, with many tweets regarding BDL's BC program being retweeted.

In 2012, BDL joined the Executive Committee of the Stewardship Agencies of BC (SABC). Through the executive BDL is involved in all discussions and collaborative efforts with other stewardship agencies to effect public education and awareness strategies regarding product stewardship in BC.

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In 2012 SABC successfully developed and distributed a brochure detailing the product stewardship programs in BC.

In March 2011 BDL conducted consumer opinion research as part of its stewardship plan commitments. Having received 1,250 responses, the poll revealed that 98% of consumers are aware there is a deposit on beer container at purchase. Consumers expressed high satisfaction (well over 90%) with the return options available to them. The research indicates that almost everyone buying beer in British Columbia ensures their containers are reused and recycled - only 1% of British Columbians put their containers in the garbage. Many British Columbians who do not return their containers themselves donate them to bottle drives, bottle collectors or other avenues through which the bottles will be collected for reuse and recycling, rather than discarded in landfill.

Brewers have continued their sponsorship and participation in various recycling and stewardship conferences and organizations in BC. Once again, BDL sponsored the Recycling Council of British Columbia (RCBC) annual conference in Whistler, as well as Recyclepedia – RCBC's recycling hotline (for the 13th consecutive year). In addition, BDL sponsored the Coast Waste Management Association's annual conference in Victoria.

The Full Refund Program continues to be promoted to private licensee liquor retail stores through their industry association, ABLE BC. Additionally, ABLE BC regularly informs their members of the program through newsletters, publications and surveys. BDL also continues to provide its collection partners with point-of-sale signage to let consumers know that they are patronizing a full-deposit return location and continues to run its website that since the beginning of 2012 has operated under the new address <a href="https://www.envirobeerbc.com">www.envirobeerbc.com</a> is scheduled for this year.

# 4. Collection System and Facilities

Consumers can take back BDL containers for redemption to LDB stores, LRS stores, rural agency stores and bottle depots. BDL also collects containers from licensed establishments (i.e. bars and restaurants). BDL utilizes 2 warehouses and 3 cross-docking facilities for the collection, storage and sorting of containers and utilizes a fleet of 44 vehicles for the distribution of product and collection of containers. All secondary packaging associated with BDL's containers is also accepted for return and recycling.

Table 1: BC Container Redemption Locations for Beer Containers

Setum Location Type	2011	2012
Depote	179	213
Livernies Wettail Stores.	658	6.59
Sovernment Liquir Stores	210	210
Bural Agency Stores	211	231
Tetal	1,277	1,313

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British Columbians have wide access to container returns with 1,313 retail and depot redemption locations across the province. In addition BDL collects containers from several thousand licensed establishments.

Seventy-eight percent of consumers live within 2 kilometers of a return location that accepts unlimited returns and 92% of consumers live within 5 kilometers of unlimited return locations.

BDL's product stewardship website also directs consumers to the nearest return locations.

# 5. Product Environmental Impact Reduction, Reusability and Recyclability

BC brewers have taken back containers and packaging ever since they started brewing in the province well over 130 years ago. Getting back containers efficiently and maximizing return rates is as important a business strategy for BDL shareholders today as it was before the introduction of government product stewardship regulations and requirements.

To that end, BDL's efficient closed loop distribution system, with product delivery and container pickup at licensed establishments and retail locations, continues to generate high packaging return rates in a cost effective manner. Coordinating delivery and container pickups also minimizes distribution fuel costs and related environmental impacts.

The system has enabled the brewing sector to maintain a significant amount of production in refillable containers and maintain its exceptional return rates as the B.C. liquor retailing system has evolved.

Twenty percent of packaged beer is sold in refillable containers in BC. New entrants into the BC beer market have a ready-made platform available to market and recover product in refillable containers.

Consider that to get 15 reuses of a refillable bottle requires that 94% of all refillable bottles sold to be returned and reused. As return rates drop to 75%, refillable bottle "trippage" drops to just 4 reuses effectively wiping out the cost savings associated with using refillable bottles.

The use of refillable beer containers recovered at high return rates avoids the production of over 90 million one-way glass or other containers annually.

Of course, reuse through refilling supports environmental outcomes by dramatically reducing the overall amount of packaging necessary to sell a given amount of product. The use of refillable glass containers in comparison to production of one-way glass from virgin materials reduces energy and pollution associated with manufacturing by approximately 90%.

Similarly, recovering aluminum cans at high rates and recycling them efficiently and effectively offsets the production costs of buying aluminum cans for the packaging of beer. BDL's container redemption system generates one of North America's highest return rates for aluminum can

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containers. Recycling aluminum generates enormous energy and pollution savings in comparison to manufacturing aluminum from virgin materials. Approximately 95% less energy is utilized when making aluminum from recycled material in comparison to original aluminum manufacturing.

In Canada, the beer industry has further enhanced the efficiencies of refillable containers by developing an industry standard bottle (ISB) which is open to any brewer operating in the country. The ISB is leading example of design for the environment. The ISB reduces the cost of sorting empty containers, minimizes inventory storage requirements and improves production efficiencies by eliminating the need for brewers to perform costly packaging line changeovers. At present, ten British Columbia breweries are signatories to the Industry Standard Bottle Agreement and use the ISB bottle as their principal glass container.

Driven by cost internalization, the economic efficiency of the British Columbia brewing industry reuse and recycling system accrues as savings to consumers and to the environment.

## 6. Pollution Prevention Hierarchy and Product / Component Management

BDL records the number of refillable glass bottles shipped to brewers for re-use as well as the weight of broken or culled glass shipped directly by BDL to glass recyclers. Aluminum cans are crushed into "biscuits" which are weighed prior to shipment to an aluminum recycler. Third party test procedures related to BDL obligations under sections 8(2)(b), (d) and (e) of the Recycling Regulation were conducted by KPMG LLP.

Table 4 shows the percentage of BDL's container mix by both container type sold and collected and the weight of packaging diverted by the BDL product stewardship system.

Table 2: Percentage: Containers Managed: Weight of Materials Diverted

Container Type	Percent of Containers Sold and Collected	Percent of Packaging Weight Diverted 18 %	
Aluminum Cans	80 %		
Retiliable Glass Bottles	20 %	82 %	

As Table 3 below shows, the energy savings and reduced greenhouse gas (GHG) emissions associated with BDL's product stewardship system are significant. GHG reductions are equivalent to pulling close to 15,000 cars off of provincial roads.

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Table 3: Energy and Greenhouse Gas Savings BDL Container Recovery 20121

	Glass Reuse	Aluminum Recycling	Total
Tonnes Diverted	28,202	6,240	34,442
Avoided GHG Emissions (MTCO2E)	10.716	60,278	70,994
Avoided Energy (Gigajoules)	191,773	545,126	736,899

Table 4 provides examples of selected pollutant reductions associated with the management of beer containers under the pollution prevention hierarchy.

Table 4: Reduced Pollutants Associated with BDL Container Recovery 20123

	Nitrogen Oxides	Sulfur Oxides	Particulate Matter	Solid Waste
Reduced by at pullatant per Funne Bucycled versus Virgin Aluminum	31.4	91.3	31.7	4,297
Recycled BDL Aluminum 2010. Metric Torines	6,240	0.240	6,240	0,240
Tennes Avended Pollutants Cans	196	570	198	26,813
Pollutants (kg) Glass: Production per Tonos	1.73	6.1	3.73	66.65
Diverted Glass Tomies - EDL Refiliable Glass Bottles	28,292	28,202	28,202	20,202
Tonnes Avouled Pollutanto Refillable Glass Bottles	49	172	105	1.880
Total Tonnes Avoided Pollutants	237	742	303	28,693

According to the EPA study, recycling aluminum results in significant reductions in atmospheric emissions. Nitrogen oxides, sulfur oxides and particulate matter emissions are reduced by over 60%, 90% and 95% respectively when aluminum is made from recycled materials. For 2012, total

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<sup>&</sup>lt;sup>1</sup> Source for avoided energy and emission multipliers: Determination of the Impact of Waste Management activities on Greenhouse Gas Emissions: 2005 Update Final Report, ICF Consulting for Environment Canada & Natural Resources Canada, October 2005 and GHG Calculator for Waste Management, Update Oct 2009, ICF Consulting for Environment Canada. Multipliers for avoided GHG Emissions [cCO2/tonne] used were 0.38 for glass reuse and 9.66 for aluminum recycling. Avoided energy multipliers used (Gigapoules/tonne) were 6.8 for glass reuse and 87.36 for aluminum recycling Avoided GHGs from glass bottle reuse [0.38] is not presented in the Determination of the Impact of Waste Management Activities on Greenhouse Gas Emissions. 2005 Update Final Report. This multiplier was provided in the previous version of the report from 2004.

Includes 150 tonnes sent directly by BDL for recycling

Pollutant reductions associated with recycled versus virgin aluminum production and glass production from Weitz, Keith A. et al. 2003. Life-Cycle Inventory Data Sets for Materials Production of Aluminum, Glass, Paper, Plastic, and Steel in North America. Report prepared by RTI International for the U.S. EPA, Office of Research and Development. EPA-600/Q-03-001. Research Triangle Park, NC.

reductions in emissions of nitrogen oxides, sulfur oxides and particulate matter from aluminum recycling and the use of refillable bottles in BC are estimated at 237, 742 and 303 metric tonnes respectively.

In addition to reductions in atmospheric emissions, BDL container management also generates significant solid waste reductions associated with material production. Aluminum cans are light, but making aluminum from virgin material creates solid waste that is four and half times heavier than the aluminum itself. There were 28,693 less metric tonnes of solid waste generated in 2012 related to aluminum recycling and the use of refillable glass bottles. This reduced tonnage is in addition to the 34,442 tonnes of packaging materials diverted from provincial landfills in 2012 as a result of BDL's container recovery system. When these totals are combined, BDL's product stewardship program reduces solid waste production by approximately 63,135 tonnes annually equivalent to \$6.8 million in Vancouver tipping fees.<sup>4</sup>

Although not reported in Table 4 - recycling aluminum also generates significant reductions in waterborne waste. Production of heavy metals such as cadmium and mercury are reduced by more than 99% when aluminum is manufactured from recycled materials.

In summary BDL's EPR program continues to deliver outstanding results to British Columbia's environment.

#### 7. Product Sold and Collected and Recovery Rate

BDL return rates in all product categories exceeded the 85% performance target established under its 5-year plan and are well in excess of the 75% target mandated under *Environmental Management Act* regulations.

In 2012 BDL collected close to 550 million containers under its product stewardship plan and its overall container return rate was 92.8%. This is the fifth consecutive year that the overall return rate has exceeded 92%.

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Based on a Vancouver 2012 tipping fee of \$107 per tonne for waste disposal

Table 5: BDL Container Recovery Rates: 20125

	Sales Dozens	Returns Dozens	Recovery
Cans	39,671,270	36,854,355	92.9 %
Refillable Glass Containers			
Industry Standard Bottles	7.122.224	6,960,761	
Non-Standard Bottles	2,564,014	2.004,241	
Total Refillables	9,686,238	8,965,002	92.6%
Total All Containers	49,357,508	45,819,357	92.8 %

#### Secondary Packaging and Other Containers

In addition to managing the containers designated under its stewardship plan, BDL also sells and collects beer kegs and collects and facilitates recycling with respect to a number of secondary packaging materials including cardboard cases, can flats and plastic shrink wrap. In fact, BDL collects and recycles all of the packaging that it uses and sells – meaning BDL has been implementing its obligations under Schedule 5 of the Act (Packaging and Printed Paper) for decades prior to its enactment.

In 2012 BDL sold approximately 327,000 kegs primarily to licensed establishments. Given the efficiencies of the closed loop system related to keg sales, returns are extremely high for these containers with a return rate of over 99 % in 2012. This volume is equivalent to over 4.6 million cases of packaged beer. The volume of beer sold in kegs is equivalent to diversion of approximately 815 tonnes of aluminum or 15,350 tonnes of glass bottles.

Estimates for 2012 indicate that BDL collected and diverted approximately 1,750 tonnes of cardboard. BDL is working on the development a monitoring and reporting process that will enable the estimation of return rates related to these packaging streams.

Table 6 provides an estimate of program diversion (for stewardship containers only) by regional district. As BDL does not compile sales or collection data by Regional District, diversion estimates were assumed to be the same on a per capita basis in each district. Regional District population estimates for 2012 were obtained from the BCStats website.

(http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/PopulationEstimates.aspx).

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<sup>\*</sup> Container data reviewed by KPMG LLP - Sales for non-industry standard retillable bottles were provided by the BC Liquor Distribution Branch

**Table 6: Program Diversion Estimates by Regional District** 

Regional District	Aluminum Units (000)	Tonnes	Glass Units (000)	Tonnes	Total	Total Tonnes
Alberni-Clayoquot	3.051	43	727	192	3.779	235
Bulkley-Nechako	3 803	53	907	240	4.709	293
Capital	36.405	508	8 679	2.297	45.085	2.805
Cariboo	6.360	89	1.516	401	7.876	490
Central Coast	312	4	74	20	386	24
Central Kootenay	5,890	82	1.404	372	7.294	454
Central Okanagan	18.231	254	4.346	1,150	22.577	1.404
Columbia-Shuswap	5 184	72	1.236	327	6.420	399
Comox Regional District	6.291	88	1.500	397	7.791	485
Cowichan Valley	8.080	113	1 926	510	10.006	622
East Kootenay	5.847	82	1.394	369	7.241	450
Fraser Valley	27.933	390	6.659	1.762	34.592	2.152
Fraser-Fort George	9.425	132	2.247	595	11.672	726
Greater Vancouver	236.346	3.299	56.346	14,909	292 692	18.208
Kitimat-Stikine	3 842	54	916	242	4 758	296
Kootenay-Boundary	3,084	43	735	195	3.819	238
Mount Waddington	1,139	16	272	72	1.410	88
Nanaimo	14.653	205	3,493	924	18.146	1,129
North Okanagan	8.058	112	1.921	508	9.979	621
Northern Rockies	618	9	147	39	765	48
Okanagan-Similkameen	8.018	112	1,912	506	9.930	618
Peace River	6.399	89	1.526	404	7 925	493
Powell River	1.987	28	474	125	2.461	153
Skeena-Queen Charlotte	1.874	26	447	118	2.321	144
Squamish-Lillooet	4 103	57	978	259	5.081	316
Stikine	56	1	13	4	69	4
Strathcona Regional Dist.	4,312	60	1.028	272	5,341	332
Sunshine Coast	2.958	41	705	187	3.664	228
Thompson-Nicola	12,811	179	3.054	808	15,865	987
British Columbia	447,070	6.240	106.584	28,202	553.654	34,442

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#### 8. Summary of Deposits, Refunds, Revenues and Expenditures

Costs related to BDL's container collection system are managed by the British Columbia Brewers' Recycled Container Collection Council which operates the program on a cost-recovery basis.

#### Refillable bottles

In the case of refillable bottles the Council establishes rates of charge for the collection, sorting and return of containers based on projected and audited costs. Costs associated with cleaning and reusing refillable bottles are borne by the manufacturer. In the case of refillable bottles, manufacturers retain unredeemed deposits and use these funds to offset container management costs.

## Recycled Cans

BDL retains unredeemed deposits with respect to can sales and retains revenues from aluminum material sales to offset, administration, transportation, collection and sorting fees and infrastructure costs. In 2012 there was no container cost recovery for cans under the program.

BDL revenues collected from both cans and bottles pay return location partners for the collection, sorting and return of BDL containers. In the case of the Liquor Distribution Branch, BDL has entered into a 5-year agreement with the agency to pay it fees for each container collected from its stores. Licensee retail stores that sign up as collection partners are also paid a fee for each container collected. BDL has also entered into service agreements with several container return depots for collection and sorting services.

Table 7: BDL Deposit Summary 2012

	Cans	Industry Standard Bottle (ISB)	Non-ISB Refillable Bottle	Total
Deposits Received	\$46,972,319	\$9.749.568	\$2,967,420	\$59,709,307
Refunds Paid	\$43,347,098	\$9,389,374	\$2,650,250	\$56,863,271

The Council's year end financial surplus decreased from \$8,829,178 in 2011 to \$7,649,159 in Fiscal 2013 (year ending March 31, 2013).

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Sales for non-industry standard refillable bottles were provided by the BC Liquor Distribution Branch

BC Brewers Recycled Contamer Collection Council I maneral Statements

# 9. Plan Performance

		Para Service	Explains to incorporate
1.	85% Return Rate in each container category	Target Achieved: a. 92.9 % Return Rate Cans b. 92.6 % Return Rate Refillable Glass Containers	N/A
2.	Improve Consumer Awareness: Maintain 85% awareness levels	Targets Achieved:  98 % of consumer aware of beer container deposits  90 % satisfied with container return options	N/A
3.	Increase the number of contracted collection partners to 275	Target Partially Achieved:  202 contracted collection partners	- Increased attendance at industry conferences; - Funding to ABLE BC to promote awareness of BDL programs for licensees; - Continued provision of LRS point of sale deposit materials.
4.	Benchmark secondary packaging	Target Partially Achieved:  Tracking of keg containers in place;  Secondary packaging tracking and reporting processes under review.	Review of secondary packaging reporting in light of impending MOE requirements re consumer packaging;     Review of BDL management structure re: packaging reporting and monitoring responsibilities.

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# Appendices / Additional Information and Third Party Assurance

Appendix A: Domestic Brewers and Suppliers (Refillable Bottles)

Brewer
Big Rock Brewery
Brick Brewing Company
Chilkoot Brewing Co. Ltd (Yukon)
Dead Frog Brewery
Fireweed Brewing Corporation
Garrison Brewing Company
Granville Island
Great Western Brewing Company
Labatt Breweries
Mark Anthony Group
McAuslan Brewing
Molson Breweries
Moosehead Breweries Ltd
Nelson Brewing
Okanagan Spring Brewery Ltd.
Phillips Brewing Co.
Russell Brewing
Sleeman Brewing Co.
The John Allen Brewing Co. Ltd.
Vancouver Island Brewing
Vincor International

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# Import and Domestic Suppliers (Cans)

Agent/Brewer
Amador Importers
Atlas Wine Merchants
Big Rock Brewery Limited
Bowen Island Brewing
Bruce Ashley Group
Calibrium International Limited
Cannery Brewing
Carlsberg Canada Inc.
Central City Brewing Company Limited
Charton-Hobbs Inc
Culin Importers Ltd.
Diageo Canada Inc. (Dorval)
Diamond Estates Wines & Spirits B.C.
Fernie Brewing Company Limited
Fireweed Brewing Corporation
Granville Island Brewing Co. Limited
Great Western Brewing Company Ltd
Hell's Gate Brewing
Hi-Bridge Consulting Group
Independent Distillers (Canada) Limited
Innovative Commodity Imports Limited
Labatt Breweries Of British Columbia
Lighthouse Brewing Co. Ltd.
Lmp Wines Inc.
Lothar Heinrich Agencies Ltd.
M.J.S. Beverage Concepts Int'l
Mark Anthony Group Inc.
Mcclelland Premium Imports Inc.
Meagher's Distillery (B.C.) Ltd.
Molson Brewery B.C. Ltd.
Moosehead Breweries
Nelson Brewing Co.

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Northam Brewery	_
	_
Okanagan Spring Brewery Ltd.	
Pacific Western Brewing Co. Ltd.	
Premier Brands Limited	
Premium Beer Company Inc.	
Russell Brewing Company Ltd.	
Sebucom International Corporation	
Sleeman Breweries	
Sunny Star Import Export Limited	
The Barley Mill	
The Cannery Brewing Company	
The Kirkwood Group	
United Distributors Of Canada	
Vancouver Island Brewing Co.	
Whitehall Agencies Ltd.	

June 28, 2013 Page 18.



KPMG LLP
Bay Adda de Cerme
Suite 4500
333 Bay Street
Toronto Ofv
hills 255

Telephone 416, 777,8500 Fax 416, 777,8518 www.fortg.ca

#### INDEPENDENT AUDITOR'S REPORT TO BREWERS DISTRIBUTOR LIMITED

We have audited the following Sections within the Brewers Distributor Limited Annual Report for the year ended December 31, 2012 (together the "Subject Matter")

- Section 4 (Table 1) collection facilities;
- Description of performance for the year in relation to 85% refillable container return rates and 85% aluminum container return rates on page 15 of the Annual Report;
- · Section 7 (Table 5) Product sold and collected, and,
- Section 7 (Table 5) Recovery rate.

The objective of this Report is to disclose how the Stewardship Agency's management has discharged its responsibility to report on the Subject Matter in accordance with Sections 8(2)(b) and (c) of BC Regulation 449 2004 (the Recycling Regulation).

The Subject Matter is the responsibility of Brewers Distributor Limited management who have prepared the Subject Matter in accordance with the evaluation criteria which are an integral part of the Subject Matter. Our responsibility is to express an opinion on this Subject Matter based on our audit. Our audit does not constitute a legal determination on compliance with the Recycling Regulation.

#### EVALUATION CRITERIA

The suitability of the evaluation criteria is the responsibility of management. The evaluation criteria presented in Appendix Tare an integral part of the Subject Matter and address the relevance, completeness, reliability, neutrality and understandability of the Subject Matter.

KPMG Confidences



#### SCOPE OF THE AUDIT

Except as described in 1 and 2 below, we carried out our audit in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) published by the International Federation of Accountants. This Standard requires, amongst others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to understand and audit the information included within the Subject Matter, and that they comply with specific requirements to ensure their independence. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures within the Subject Matter. An audit also includes assessing the evaluation criteria used and significant estimates made by management, as well as evaluating the overall presentation of the Subject Matter.

# The main elements of our work were

- Inquiries of relevant management, including walkthroughs, to gain an understanding of the Company's data collection and reporting processes in relation to the Subject Matter included in the Annual Report.
- Testing of the collection facilities listing against records of product collection during the year.
- Comparison of sales and collection data included in the Annual Report to internal records
  and confirmation with third parties, where appropriate, and.
- Site visit to gain an understanding of product collection procedures and management of collection records

The state of the s



#### OPINION

In our opinion, except as described below, the Subject Matter within the Brewers Distributor Limited Report for the year ended December 31, 2012 presents fairly in accordance with the evaluation criteria, in all material respects:

- the location of collection facilities in accordance with Section 8(2)(b) of the Recycling Regulation;
- the description of how total amounts of the producer's product sold and collected and, if applicable, the producer's recovery rate has been calculated in accordance with Section 8(2)(e), and,
- the description of performance for the year in relation to targets in the approved stewardship plan under Section 8(2)(b) and (e) of the Recycling Regulation.

#### EXCEPTIONS

- 1. This is the first audit of the Brewers Distributor Limited Report in relation to the number and location of collection facilities. KPMG audited the number and location of collection facilities as at December 31, 2012. However, the scope of our work was limited in relation to disclosures regarding changes in the number and location of collection facilities since December 31, 2011 as the prior year information has not been subject to audit. As a result, we were unable to reach conclusions in relation to assertions regarding the change in the number of collection facilities between December 31, 2011 and December 31, 2012 in accordance with Section 8(2)(b) of the Recycling Regulation.
- 2 Brewers Distributor Limited identified two categories of collection facilities. They identified 914 locations where they have evidence to support the collection of beer containers. Brewers Distributor Limited also identified 399 locations where Brewers Distributor Limited does not have access to collection data because these locations do not return directly to warehouses of

KPMG Confidential



Brewers Distributor Limited and accordingly cannot assess whether these locations are acting as collection facilities.

3. The scope of our work was limited in relation to product sales and recovery rates with respect to the non-industry standard bottles because the Brewers Distributor Limited were unable to reconcile the data provided by the non-member brewers to the sales figures provided by Liquor Distribution Branch. Non-Industry Standard Bottles represent approximately 25% of total sales of bottles.

Our report has been prepared solely for the purposes of management's stewardship under the Recycling Regulation and is not intended to be and should not be used for any other purpose. Our duties in relation to this report are owed solely to Brewers Distributor Limited, and accordingly, we do not accept any responsibility for loss occasioned to any other party acting or refraining from acting based on this report.

Toronto, Canada

KPMG LLP

June 28, 2013





# APPENDIX 1 TO THE AUDITOR'S REPORT

### **EVALUATION CRITERIA**

# COLLECTION FACILITIES

The following evaluation criteria were applied to the assessment of the location of collection facilities, and any changes in the number and location of collection facilities from the previous report in accordance with Section 8(2)(b) of the Recycling Regulation

- 1 Collection facilities are those that are active as of December 31 and have collected returns during the year.
- Changes in the number of return locations are calculated based on comparison to the previous year's list

# PRODUCT SOLD AND COLLECTED

The following evaluation criteria were applied to the assessment of the description of how total amounts of the producer's product sold and collected and, if applicable, the producer's recovery rate has been calculated in accordance with Section 8(2)(e).

- Product sold The total number of bottles sold is based on the sales figures received from the Liquor Distribution Branch (LDB)
- 2. Product collected--bottles.
  - a) The total number of bottle returns (product collected) is calculated as follows. Closing inventory balance - Opening inventory balance + Returns to brewers during the calendar year
  - b) The quantity of bottles returned to brewers from BDL warehouses is based on records in the JD Edwards system.





- c) Opening and closing inventory balances at BDL warehouses are based on year-end physical counts as recorded in the J D. Edwards system.
- 3 Product collected--cans. Total number of can returns is based on the total recorded in the J D. Edwards system during the calendar year.

#### TARGETS

The following evaluation enterta were applied to the assessment of the description of performance for the year in relation to targets in the approved stewardship plan under Section 8(2)(b) and (e) of the Recycling Regulation

- 1 Target: Recovery rate of 85%.
  Recovery rate is calculated as follows: total bottles and cans returned during the period ÷ total bottles and cans sold during the period.
- Target: 347 Full Return locations by 2014
   Full return locations are those that are active as of Dec 31, have accepted returns during the year, accept unlimited returns, and refund customers the full amount of the deposit per bottle or ean



# Ranson, David ENV:EX

From: Armstrong, Meegan ENV EX

Sent: Monday, September 23 2013 10:12 AM

To: Bates Julia ENV:EX
Cc: Ranson, David ENV:EX

Subject: Fwc. BDL - update on stewardship plan enhancements

Julia, please have quick review and see if there is info in their update that should be included in the BN for the BDL / minister meeting Wednesday.

Meegan Armstrong Ministry of Environment Sent from my iPhone

# Begin forwarded message:

From: "Zeiler-Kligman, Brian" < bz-k@nationalbrewers.ca>

Date: September 23, 2013, 9:39:24 AM PDT

To: "Lawes, David ENV:EX" < David.Lawes@gov.bc.ca>, "Armstrong, Meegan ENV:EX"

<Meegan.Armstrong@gov.bc.ca>

Cc: "Newton, Jeff" <JNewton@nationalbrewers.ca>, "Cox, Bryan" <br/>
bcox@nationalbrewers.ca>

Subject: BDL - update on stewardship plan enhancements

# Good morning David:

Hope this e-mail finds you well. I am writing to provide you with an update on Jeff Newton's July 19 letter regarding the stewardship plan enhancements that BDL has committed to undertake during the 18 months remaining in our current ministry-approved stewardship plan. This update is part of BDL's commitment to provide the Ministry with regular updates on our progress on these enhancements. Please note that this update is provided to the Ministry on a commercially confidential basis.

As you can see from the above list, it has been a busy summer as we continue to enhance our stewardship program. These activities will continue into the fall. I will provide you with another update on our progress around the time when we meet to discuss our GIS results at the CWMA conference (i.e. in late October).

Kind regards, Brian



Canada's National Brewers

Brian Zeiler-Kligman, M.A., LL.B. Director, Sustainability Canada's National Brewers

Direct: 905-361-4193 Cell: 416-458-8293 Twitter: @EnviroBeerGuy

2

- Jim Standern
- David Lawes
- Meegan Armstrong

Canada's
Presentation from National Brewers

Brevers' meeting.

# Brewers Distributor Limited: Leading in Product Stewardship... for over 80 Years

Meeting with Hon. Mary Polak, Minister of Environment September 24, 2013

# The life of a beer bottle

BREWERS CLOSED LOOP RETURN SYSTEM

The empty bottles are returned to the Breweries to be retilled!



Brewers fill the bottles with Canada's best beers



The distributor picks up the empty bottles when they deliver full bottles



The empty bottles retailer/depot for



are returned to the the full 10¢ deposit



Cheers!





Upon purchase, consumers pay a 10c deposit for each bottle

The full bottles

are delivered to

retailers across British Columbia



Canada's National Brewers

# 93% of the Way to 100% Recovery



- Collect beer cans (domestic and import) and refillable glass bottles (beer and cider)
- Provide beer consumers with 1167 authorized return locations and over 300 unlimited return locations
  - 78% of residents within 2 km of unlimited return location
  - 92% of residents within 5 km of unlimited return location
- BDL's network of collection partners has <u>doubled</u> over period of current stewardship plan
- BDL system:
  - reduces complexity
  - minimizes freight
  - minimizes attendant GHGs and
  - minimizes transaction costs

while maximizing logistical efficiency and consumer convenience

# **Striving for Continual Improvement**



Target return rate: 85%

F2008-2012 Return rate: over 93%

2012 Return rate: 92.8%

- Total 2012 waste diversion: over 36,000 tonnes
  - Overall, reduced solid waste production by over 63,000 tonnes
  - Includes almost 2000 tonnes of secondary packaging that was collected and diverted (Schedule 5)
- Significant proportion of containers are refilled
  - Average bottle refilled 15 times
- Significant environmental benefits
  - Energy requirements for refillable bottle (including washing and cleaning) 90% over bottle's lifecycle
  - Energy required to make aluminum cans from recycled aluminum 95% less than for virgin aluminum

# And Continuing to Improve...



- ✓ 10 authorized unlimited return locations added in 2013
- ✓ Updated GIS mapping of program coverage
- ✓ Re-launch of return-to-retail program at liquor retail stores
- ✓ Updated return locations on RCBC consumer services
- ✓ Revamped program website launching in 2013
- ✓ New program posters in depots and retail stores
- ✓ Consumer survey in 2013

# An Environmental Record To Be Proud Of



# In 2012, BDL:

- Recovered over 550 million containers
- Diverted over 36,000 tonnes from BC landfills
- Avoided production of over 90 million glass bottles

Avoided over 70,000 tonnes of GHG emissions about 15,000 cars off BC roads

Avoided over 736,000 gigajoules of energy over 120,000 barrels of oil (value of over \$13 million)

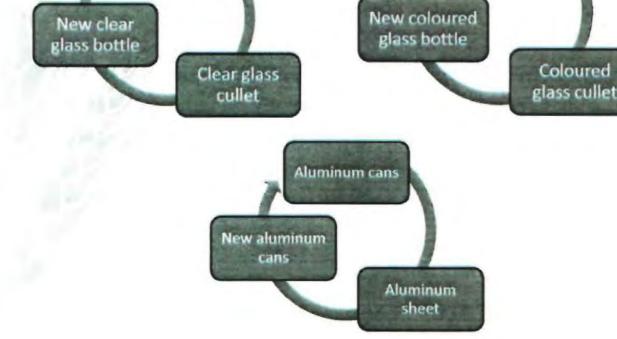
- BDL system exemplifies OECD's principles for sustainable materials management
- Endorsed by the David Suzuki Foundation and others
- "Canada's beverage packaging success story"

Deposit System Enables High Order Recycling

Clear Glass







# BDL Differs from Other Stewards...



- History of stewardship (since end of Prohibition)
  - EPR as core business competency, not regulatory add-on
- Highest recovery rate in BC
  - Only steward with target recovery rate above legislative requirement
- Stewardship is part of our business! (not arms length from production)
  - IC&I, as well as residential
- Follow 3 Rs: reduce (packaging), reuse (bottles and packaging), recycle
- Collect more than one type of designated product

# All at No Cost to the Consumer...



Canada's National Brewers

AND THE PARTY OF	BDL	Encorp Pacific
Container Recycling Fees (2012)	\$0	\$52.6 - 65.2 million (or \$0.056 - \$0.07 per unit recovered)
Unredeemed Deposits (2012)	\$2.85 million	\$16 million

- Applying the Encorp average CRF to beer would result in a new \$30.8 \$38.5M eco-fee to BC consumers
- Cost internalization drives continual quest for recovery, reuse and recycling efficiencies
  - Any increase in recycling cost reduces brewer margins, which is met by efforts to improve system efficiency
- Fixed eco-fees allow producers to externalize recycling costs to consumers
  - Consumers, not producers, pay for inefficiency

# Built on a Return-to-Retail Model



- Brewer program ran voluntarily through retail outlets prior to legislation
- Original basis for EPR in BC
  - Enshrined in Recycling Regulation (for Schedule 1)
  - Reaffirmed by government in recent Schedule 1 review
    - Supported by depot owners and liquor retailers during consultation
- Highly convenient for consumers
  - Return containers during same trip to purchase more
- Other BC stewards enhancing their retail return network



Brian Zeiler-Kligman
Director, Sustainability
bz-k@nationalbrewers.ca
905-361-4193
@EnviroBeerGuy



# ENCORP PACIFIC NAMES NEW CHIEF EXECUTIVE OFFICER

May 27, 2013

Burnaby, British Columbia

After an extensive search, the Board of Directors of Encorp Pacific (Canada) is pleased to announce the appointment of Mr. Scott Fraser as its new President and CEO.

Mr. Fraser is a proven business leader with extensive knowledge of the beverage industry in British Columbia, much of which was obtained as a senior executive with Andrew Peller Limited, Cascadia Brands and Forbes Fraser Wines. Over the course of his career he has built an outstanding reputation as an industry leader, growing businesses, marketing products and services, managing change and working closely with stakeholders at all levels including government. Mr. Fraser was most recently Marketing and Business Development Advisor for CUSO International in Battambang, Cambodia where he advised three Cambodian—run Non-Governmental Organizations (NGO's) as a CUSO volunteer.

In addition to his corporate postings, Mr. Fraser has held Board positions with the BC Wine Institute, the BC Wine Authority, Canadian Vintners Association, Import Vintners and Spirits Association and The Vancouver Playhouse International Wine Festival. He holds a Bachelor of Commerce degree from the University of British Columbia, where he was the recipient of the prestigious Sherwood Lett award, at the time the university's highest student honour.

Mr. Fraser will become the third President and CEO in the history of Encorp Pacific (Canada) effective July 1, 2013. He will succeed Neil Hastie, who retires after fifteen years in the position, overseeing Encorp's growth from a relatively modest operation into one of the leading stewardship organizations in the country.

"We are very pleased to hire a CEO of Scott Fraser's caliber," says Encorp's Board Chair, Dan Wong. "Over the past fifteen years Encorp has evolved into a strong, effective organization, one of the leaders in the dynamic field of stewardship. We look forward to Scott leading us into the next generation of industry product stewardship in British Columbia."

Encorp Pacific (Canada) is a federally incorporated, not-for-profit, product stewardship corporation with beverage container management as our core business. Our mandate is to develop, manage and improve systems to recover used packaging and end-of-life products from consumers and ensure that they are properly recycled and not land-filled or incinerated.

For more information please contact:

Dan Wong Chairman of the Board Encorp Pacific (Canada)

E-mail: dwong@righthookstrategies.com

Phone: (604) 675-7163

Sandy Sigmund Vice President, Development & CMO Encorp Pacific (Canada) E-mail: sandy@encorpinc.com

Phone: (604) 473-2406

# MINISTRY OF ENVIRONMENT MEETING INFORMATION NOTE

September 20, 2013 File: 50400-25 BEV- BDL 280-20 CTH1 tracking #: 197730

PREPARED FOR: Honourable Mary Polak, Minister of Environment

DATE AND TIME OF MEETING: September 24, 2013, at 4 15pm

ATTENDEES: Jeff Newton, President; Bryan Cox, Vice President, Western Canada Dyusion: Brian Zeiler-Kligman, Director, Sustainability.

ISSUE(S): Introduce the Brewers Distributed I imited (BDL) stewards and provide an update on BDL's stewardship program activities in the province of British Columbia.

#### BACKGROUND:

In 1970, BC introduced North America's first deposit-return system for beverage containers. This regulation was folded into BC's current Recycling Regulation and continues to require containers to be managed through deposit-refund based EPR programs.

There are two beverage container return programs operating in BC: Encorp Pacific Canada (Encorp) and Brewers Distributor Ltd. (BDL.).

BDL is a private joint-venture company owned by Labatt Breweries of Canada and Molson Breweries (aka Canada's National Brewers) for the wholesale distribution of beer and the collection of domestic beer, eider and cooler bottles and imported and domestic beer cans within BC.

# DISCUSSION:

BDI's program for beverage containers utilizes a closed-loop recycling system. Closedloop refers to the reincorporation of a material back into a product that has a similar use and composition to the product from which it was derived.

Customers can return BDL beverage containers to Liquor Distribution Branch (LDB) stores, licensee retail stores, LDB rural agency stores and selected bottle depots across BC. BDL or their agents also pick up containers at retail locations, licensees and selected bottle depots.

# Collection network and container redemption fees

Ministry staff have been gathering information and having conversations with BDL and stakeholders to promote compliance and explore the issue of consumers not receiving a full refund for their beer container returns (commonly referred to as "discounting").

To date, Ministry staff have been working directly with BDL since February 2013 to resolve the discounting issue, opting for a collaborative approach that, to date, has not

lof2

involved compliance inspections, advisories, warnings or other heavy handed compliance tools. Multiple meetings have been held, including a meeting on June 14, 2013, with Deputy Shoemaker. BDL representatives are aware of the Ministry's concerns and must continue to work with staff to rectify the issue or face escalating action.

# BDL Packaging and Printed Paper (PPP) Stewardship Plan

BDL's draft stewardship plan was submitted by November 19, 2012, meeting the deadline requirements of the Regulation. Stakeholders identified as BDL PPP collection facilities have expressed concern with BDL's plan submitted for approval. The Ministry has encouraged BDL to continue negotiations and update the plan accordingly.

# Collaboration with Stewardship Agencies of BC (SABC)

Stewardship Agencies of BC (SABC) is a not-for-profit organization established by stewardship agencies in BC with plans approved by the Ministry to operate designated EPR programs within the province under the Recycling Regulation.

Since 2012, SABC have provided a forum for the growing number of stewardship agencies in BC to work together to improve service to all areas of the province and realize service delivery efficiencies. The formation of SABC provides one point of contact to connect with several different stewardship agencies.

# SUGGESTED RESPONSE:

It is recommended that the Minister:

- Recognize that BDL's program has grown over the years, and recognize the importance of continuous improvement for all stewardship programs.
- Encourage the continued collaboration of BDL representatives with the Stewardship Agency of BC (SABC) in bringing the growing number of product stewardship programs together to improve the recycling experience for British Columbians.
- Encourage continued communication with ministry staff to resolve outstanding issues.

Contact:	Alternate Contact:	Prepared by:
Jim Sumden	David Remson	Julia Bates
Assistant Deputy Minister	Executive Director	Senior Policy Advisor
Environmental Protection	Environmental Standards	Environmental Standards
250-387-1288	250-387-9933	250-387-9709

Reviewed by	Initials	Date
DM		
DMO		
ADM		
Exec. Dir.	DR	09/23/13
A'Mgr.	MA	09/19/13
Author	JB	09/19/13

Subject	RE: Discounting	
From	Newton_leff	
To	Armstrong, Meegan ENV:EX	
Cc	Zeiler-Kligman, Brian; 'scott@encorpinc.com'; Cox, Bryan; Lawes, David ENV:EX; Bates, Julia ENV:EX; Valian Usman	
Sent	Monday, October 7, 2013 11:03 AM	

# Meegan:

We were unaware that the MoE was expecting us to work on a draft regulation change with Encorp. Our interpretation of David's e-mail of August 9th was that a regulation change might be something the Ministry would consider in the future should other options be unsuccessful in addressing the issue. To that end, BDL has developed and is in the process of implementing a comprehensive plan to enhance its existing collection system and we have shared the details of this plan with you. Is the MoE now saying that it also wants to implement a regulation that would require any depot who elects to collect a designated container to provide a full deposit refund even if the depot is not part of the approved plan for that designated container? If so, is it your request that BDL and Encorp work on the wording for this regulation? Just need to understand the scope of what you're asking.

### Jeff

----Original Message---

From: Armstrong, Meegan ENV:EX [mailto:Meegan.Armstrong@gov.bc.ca]

Sent: October 7, 2013 12:52 PM

To: Newton, Jeff

Subject: FW: Discounting

## Morning Jeff,

I got a bounce back from the e-mail address I used when I sent this e-mail a few moments ago, so I am sending again.

C. Meegan Armstrong

T: 250.387.9944

----Original Message---

From: Armstrong, Meegan ENV:EX Sent: Monday, October 7, 2013 9:49 AM

To: XT:Newton, Jeff LCLB:IN; 'scott@encorpinc.com'; 'Zeiler-Kligman, Brian'; 'Cox, Bryan';

s 22

Cc: Bates, Julia ENV:EX; Lawes, David ENV:EX

Subject: RE: Discounting

Good morning Scott, Jeff, Neil, Brian and Brian,

I'm following-up on David's e-mail from early August requesting that BDL and Encorp work together to proposed a regulatory amendment, as you both suggested, to resolve the issue of consumers not receiving a full refund for their container returns.

I'd appreciate an update on your discussions at your earliest convenience, but by Friday October 10, 2013 at the latest. We would like to find a way to resolve the issue of consumers not receiving a full refund by the end of this year.

MOE-2014-00071, Part 3

# Bates, Julia ENV:EX

From: Scott Fraser <scott@encorpinc.com>
Sent: Wednesday, October 9, 2013 8:30 AM

To: Newton, Jeff; Armstrong, Meegan ENV:EX; Zeiler-Kligman, Brian; Cox, Bryan;

s.22

Cc: Bates, Julia ENV:EX; Lawes, David ENV:EX; Valiante, Usman

Subject: RE: Discounting

Hi Jeff,

I agree that we had a good, wide-ranging discussion and my brief comment on it didn't capture everything put forward; apologies if I mischaracterized anyone's position.

I will contact you separately about a follow-up discussion.

Best regards,

Scott

From: Newton, Jeff [mailto:JNewton@nationalbrewers.ca]

Sent: 09 October 2013 06:31

To: Scott Fraser; Armstrong, Meegan ENV:EX; Zeiler-Kligman, Brian; Cox, Bryan;

Cc: Bates, Julia ENV:EX; Lawes, David ENV:EX; Valiante, Usman

Subject: RE: Discounting

Scott:

You are correct that we met on Sept. 18th to discuss this issue. Generally speaking I thought we had a good discussion and we agreed to keep talking in the future. We are still open to this. That said, I have to say that your characterization of our discussion appears very one-sided. Your e-mail only references the actions being taken by BDL when we also spoke at length about a number of Encorp related matters that were contributing to the practice of deposit discounting. Recall that we also talked about Encorp's lack of collection service to LRS stores who are required by law to collect LDB stewarded containers. Despite being required by law to collect these containers, these LRS stores receive no container pick-up service and no compensation for collection costs from Encorp who acts as the LDB's stewardship agency. The lack of Encorp service to LRS stores makes container collection problematic for many LRS stores and results in many LRS stores engaging in practices designed to deter container returns to their stores. These practices by extension end up negatively affecting returns of beer containers to LRS stores, where consumers receive a full refund of their deposit. For Encorp to not provide these LRS locations basic collection support services for LDB containers, or even charge the LRS stores for collection services, seems odd to us given that Encorp is acting for the LDB which is a government agency and it is BC law that obligates LRS stores to accept container returns at full deposit. I would assume you are in agreement that any future discussions between BDL and Encorp would need to include Encorp practices such as this that are also contributing to the deposit discounting practice.

With regard to potential regulatory changes that could be considered in the future we are happy to consider some alternatives and explore those in future discussions. We also agree that the implications and market place consequences of such regulations would have to be carefully considered prior to any implementation.

We will await your call regarding the scheduling of another meeting.

Jeff.

s.22

From: Scott Fraser [mailto:scott@encorpinc.com]

Sent: October 8, 2013 6:15 PM

To: Armstrong, Meegan ENV:EX; Newton, Jeff; Zeiler-Kligman, Brian; Cox, Bryan;

s.22

s.22

Cc: Bates, Julia ENV:EX; Lawes, David ENV:EX; Valiante, Usman

Subject: RE: Discounting

Dear Meegan,

As you know we met with Jeff and Brian on Sept. 18 and reviewed the options at a high level, including some general discussion around the concept of regulatory change and their current approach. Understandably, the brewers will not share with us plans that are developed with or include proprietary information, so we can't comment on the timing, extent, impact or expected end results of their current approach. They did reiterate that their stewardship approach includes a return to retail model, continuing to offer BDL licences to more depots where they feel their business model warrants, additional consumer awareness on return to retail and being mindful of increased costs they might incur.

Notwithstanding any ongoing discussions between the Ministry and the brewers regarding the details of their current plan, we are prepared to share our thoughts on what a regulatory solution could look like and would welcome the same from the brewers' perspective so that we can both consider the implications and possible consequences of that approach. I will separately contact Jeff and Brian about a follow-up meeting, possibly during the Coast Waste Management conference.

Best regards, Scott

----Original Message----

From: Armstrong, Meegan ENV:EX [mailto:Meegan.Armstrong@gov.bc.ca]

Sent: 07 October 2013 09:49

To: XT:Newton, Jeff LCLB:IN; Scott Fraser; 'Zeiler-Kligman, Brian'; 'Cox, Bryan';

Cc: Bates, Julia ENV:EX; Lawes, David ENV:EX

Subject: RE: Discounting

Good morning Scott, Jeff, Neil, Brian and Brian,

I'm following-up on David's e-mail from early August requesting that BDL and Encorp work together to proposed a regulatory amendment, as you both suggested, to resolve the issue of consumers not receiving a full refund for their container returns.

I'd appreciate an update on your discussions at your earliest convenience, but by Friday October 10, 2013 at the latest. We would like to find a way to resolve the issue of consumers not receiving a full refund by the end of this year.

Enjoy your day, C. Meegan Armstrong T: 250.387.9944

----Original Message----From: Lawes, David ENV:EX

Sent: Friday, August 9, 2013 2:43 PM To: 'Neil Hastie'; XT:Newton, Jeff LCLB:IN Cc: Armstrong, Meegan ENV:EX; Bates, Julia ENV:EX

Subject: Discounting

Jeff and Neil - thank you for your efforts to date in working with us to resolve the issue of consumers not receiving a full refund for their container returns. As you have both suggested, a regulatory amendment may ultimately be needed to resolve this issue and so I would like to ask if you two would consider working together to find something that resolves the issue and is workable for both of you.

As we have stated in our discussions - in principle, consumers that expend the effort to return their beverage containers to a depot should receive a full refund. This should be the outcome of whatever options you find in your discussions.

We at MoE will continue to work on possible resolutions to the discounting issue, including consideration of plan changes or regulatory amendments.

I will leave it to you to connect on this. I would suggest that if you could work on this over the next 4-6 weeks then that would be beneficial and position us for future actions. Let me know if you have any questions.

Regards, David

# Bates, Julia ENV:EX

From:

Bates, Julia ENV:EX

Sent:

Wednesday, October 16, 2013 10:53 AM

To:

'dwb@bht.com'

Cc:

'bz-k@nationalbrewers.ca'

Subject:

RE: Brewers Distributor Limited - Protection of Confidential Information

Attachments:

195680 Response to Bull Housser regarding BDL.pdf

Please see attached letter from the BC Ministry of Environment.

#### **Julia Bates**

Senior Policy Advisor Environmental Standards Branch B.C. Ministry of Environment T: 250.356.9089 | F: 250. 356-7197

From: Bursey, David [mailto:dwb@bht.com]
Sent: Monday, June 3, 2013 3:04 PM

To: Ranson, David ENV:EX

Cc: XT:Newton, Jeff LCLB:IN; 'Zeiler-Kligman, Brian'; Cox, Bryan; Valiante, Usman; Lee, Bonnie ENV:EX

Subject: Brewers Distributor Limited - Protection of Confidential Information

Please see the attached letter from Brewers Distributor Limited.

## **David Bursey**

Partner, Energy + Aboriginal Law
T 604.641.4969 F 604.646.2563 <u>dwb@bht.com</u>
Assistant Dana Moffat T 604.641.4527 <u>dnm@bht.com</u>

BULL HOUSSER 3000 - 1055 West Georgia Street | Vancouver BC | Canada V6E 3R3

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Bull, Housser & Tupper LLP



Ref: 195680

October 16, 2013

David Bursey Partner, Bull Housser & Tupper LLP 3000 Royal Centre 1055 West Georgia Street Vancouver, BC V6E 3R3

Dear Mr. Bursey:

I am writing to respond to your June 3, 2013 letter addressed to David Ranson, regarding your concerns with the Ministry of Environment's (MoE) compliance promotion actions and Brewers Distributor Limited (BDL) stewardship program and the issue of consumers not receiving a full refund for beer container returns.

In your letter you state that BDL has provided MoE with commercially sensitive information and suggest that MoE has shared this information improperly. Please be advised that information submitted to the province is subject to Freedom and Information and Protection of Privacy Act (FOIPPA) legislation. The FOIPPA Act applies to all records in the custody and/or under the control of public bodies. Access to information is provided except where release of that information is prohibited by the FOIPPA. I am not aware that we have improperly shared information related to BDL that would be prohibited by FOIPPA. However, if you are aware that BDL information has been improperly shared in contravention of FOIPPA, please bring this to my attention at your earliest convenience.

Ministry of Environment staff have been gathering information and having conversations with BDL and stakeholders to promote compliance and explore the issue of consumers not receiving a full refund for their beer container returns. It is estimated that more than half of BDL beer container returns occur through depots versus retailers and that over half of these returns to depots are not receiving a full refund. The estimated impact on consumers that return a container to a depot but do not receive a full refund is approximately \$3 Million annually.

Given the above issues, the Director is concerned that BDL's Product Stewardship Plan may not be adequately meeting Ministry policy and expectations regarding reasonable and free consumer access to collection facilities or for brandowners paying the costs of collecting and managing their products. The Director is also concerned that BDL is not fulfilling its obligations with respect to the handling and management of the deposit monies that it collects and paying a cash refund to the person that returns the container.

We welcome continued dialogue with BDL as industry stewards of the beer container program, and the Ministry foresees BDL's role as central in proposing and enacting potential solutions.

I appreciate the time you took to keep the Ministry informed of BDL's concerns and hope this response clarifies the actions taken to date.

Sincerely,

David Lawes

Manager, Waste Prevention

Environmental Standards Branch

cc: Brian Zeiler-Kligman, Director, Canada's National Brewers



October 24, 2013

David Lawes
Manager, Waste Prevention
Environmental Standards Branch
Ministry of Environment
P.O. Box 9341
Stn Prov Govt
Victoria, BC V8W 9M1

Re: Extended Producer Responsibility (EPR) and BC Ministry of Environment carriage of commercially sensitive information

Dear Mr. Lawes:

Thank you for your letter of October 16, 2013 in response to our letter of June 3, 2013.

We agree that the Freedom of Information and Protection of Privacy Act (FOIPPA) and its legal processes, protections and remedies only comes into effect when information is requested of the government from the public.

Our point is that, through many decades of positive and highly effective interaction with the BC Ministry of Environment (the Ministry), we have come to expect that any discussions regarding the operation of our stewardship program and the commercial plans and information provided to the Ministry as a part of those discussions will remain confidential.

This long-standing protocol between our industry and the Ministry has been critical to preserving our relationships with our authorized bottle depots and material processors – relationships that are the lynchpin of our delivery of the continued exemplary environmental outcomes that we report to you annually.

Consider that in making any changes to our stewardship operations, we must balance the environmental and consumer objectives we are trying to achieve with the commercial impacts to community based-businesses (bottle depots and container material recycling processors) that have been Brewers Distributor Limited's (BDL) commercial partners for decades. How we communicate any changes to our partners is as important as the changes themselves.

We simply cannot have the BC Ministry of Environment disclose our tentative commercial plans to our commercial partners.

As we described to you in our letter of June 3, 2013, the Ministry provided key components of a draft BDL plan (including the date this plan was received and the type of document it was) to Encorp Pacific (Canada) and our commercial partners as part of the agenda of a hastily convened meeting on May 30th, 2013 – this despite BDL's inability to participate on that day.

Disclosing this information to our commercial partners has strained our relationships and caused us commercial harm. Among other things, it has undermined the goodwill between parties that is critical to running our EPR program.

Disclosing our plans to Encorp Pacific (Canada) has equally harmed us.

Encorp operates a relatively ineffective (78.7% recycling rate vs. BDL's 93% reuse and recycling rate) and inefficient (\$52.6 - \$65.2 million in consumer eco-fees vs. BDL's zero consumer eco-fees) Schedule 1 stewardship program.

It is apparent from Encorp Pacific's behavior in the marketplace that its agenda is to force BDL to deal with all of Encorp's Return-It depots with a view to having handling-fee revenues from beer containers cross-subsidize Encorp containers. Should this outcome be realized, it would cause BDL to lose commercial self-determinacy (one of the main principles behind BC's vaunted EPR model) and it would drive up BDL's costs (and hence costs to British Columbia beer consumers). All without any increase in environmental performance whatsoever.

To be perfectly clear, we are not suggesting in any way that the Ministry has been assisting Encorp Pacific in furthering its commercial agenda. Rather, our point here is that the implementation of EPR is largely a commercial activity with a commercial dynamic that is largely unseen by the Ministry. As such, the BC Ministry of Environment needs to be very careful regarding disclosure of any information. Information that, on face value, may seem benign is in fact highly sensitive and could be used by one party to gain a competitive footing over another.

We hope we have clarified our concerns and look forward to providing you with an update of our implementation of further enhancements to our beer container stewardship program.

Sincerely,

Brian Zeiler-Kligman Director, Sustainability

Bun 3-K

CC: Wes Shoemaker, Deputy Minister, Ministry of Environment

# Bates, Julia ENV:EX

From:

Bill Chan <Bill@encorpinc.com>

Sent:

Wednesday, November 6, 2013 12:43 PM

To:

Ratcliffe, Julia ENV:EX

Subject:

RE: Encorp 2012 Annual Report

Julia:

Thank you.

Bill

From: Ratcliffe, Julia ENV:EX [mailto:Julia.Ratcliffe@gov.bc.ca]

Sent: Wednesday, November 06, 2013 9:37 AM

To: Sharon Boyce Cc: Bill Chan

Subject: RE: Encorp 2012 Annual Report

Good morning Sharon,

I have a three part answer to your question below:

- I sent an informal recognition email to Neil when we received the 2012 annual report (attached).
- The Ministry sends letters to stewards based on the performance demonstrated in the annual reports. We do not "approve" the annual reports, which is a common misconception.
- The letters from the Ministry for the 2012 annual reports have not been sent out yet, but we hope to have them out before the end of the year.

If you have any further questions, it is our preference that you contact me before my superiors.

Kind regards, Julia

Julia Ratcliffe

Analyst, Waste Prevention Environmental Standards, Ministry of Environment ph: 250.387.9754

From: Sharon Boyce [mailto:sharon@encorpinc.com]

Sent: Monday, November 4, 2013 11:29 AM

To: Ranson, David ENV:EX

Subject: Encorp 2012 Annual Report

David

I'm sorry to bother you, but I can't locate our copy of the approval letter for Encorp's 2012 Annual Report (I'm not sure where Neil filed it).

Is there any chance someone in your office can scan me a copy?

If you require additional information, please feel free to contact us.

Thank-you

Sharon E. Boyce Executive Assistant

Encorp Pacific (Canada) 206, 2250 Boundary Road Burnaby, BC V5M 3Z3

Phone: 604-473-2416 Fax: 604-473-2411

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To: Aikens, Patricia ENV:EX

Subject: FW: Regulatory Requirement for Return of Deposit in Cash

Hi Trish,

I'm wondering if it's worth getting a legal interpretation of this issue (see attached). Basically the Recycling Regulation says refunds must be "cash", but Encorp would like to be able to give refunds via gift card, etc. Is an amendment necessary? I feel like this sort of issue must have come up before in other regulations due to no one using cash anymore....

Thanks, Julia

From: Sharon Boyce [mailto:sharon@encorpinc.com]

Sent: Monday, January 6, 2014 2:06 PM

To: Ranson, David ENV:EX

Cc: Armstrong, Meegan ENV:EX; Ratcliffe, Julia ENV:EX; Scott Fraser Subject: Regulatory Requirement for Return of Deposit in Cash

Importance: High

Good afternoon,

Please review the attached correspondence from Scott Fraser, President and CEO of Encorp Pacific as it relates to the regulatory requirement for return of deposit in cash.

If you require additional information, please feel free to contact us.

Thank-you

Sharon E. Boyce Executive Assistant

Encorp Pacific (Canada) 206, 2250 Boundary Road Burnaby, BC V5M 3Z3

Phone: 604-473-2416 Fax: 604-473-2411

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November 22, 2013

Via e-mail: bz-k@nationalbrewers.ca

Mr. Brian Zeiler-Kligman Director, Sustainability Canada's National Brewers 5900 Explorer Drive Mississauga ON L4W 5L2

Dear Mr. Zeiler-Kligman:

# RE: PROPOSED OPTIONS FOR CONTAINER REDEMPTION FACILITIES TO PROVIDE FULL DEPOSIT ON ALL BEVERAGE CONTAINERS

Thank you for your letter dated November 8, 2013, following our earlier meetings on October 23<sup>th</sup> and September 18<sup>th</sup>, regarding the options for container redemption facilities to provide full deposit refund on all beverage containers.

There are commonalities between the Encorp collection depots ("Encorp Return-It™ Depots" or "Depots") and Brewers Distributor Ltd. ("BDL"). We both use a network of stand-alone bottle depots and retail locations as part of our approved stewardship plans and both of our networks have the majority of the empty containers returned through depots.

An independent report done by Deloitte in 2011 reaffirmed that BDL beverage return volumes going through the depots are significant. Based on the Deloitte study and information provided by the depot operators we estimate that over 350 million units annually (approximately 65% of all the BDL returns) are returned through depots in the Return-lt™ network.

This should not be surprising. Consumers do not differentiate between different container types. Marketing surveys conducted indicate that most consumers purchase a broad range of beverages (alcohol and non-alcohol) from a wide range of retailers. Rather than return those containers to multiple locations they seek the convenience of a one-stop return for all beverage containers; they therefore prefer the Encorp Return-It™ Depots.

Encorp directly services over 200 government liquor stores and over 300 other retail outlets in the province. Retail points of pickup in our system outnumber depot locations by three to one, yet consumers return over 90 percent of beverage containers to depots.



# Discounting

Convenience is so important to consumers that they forego a portion of their deposit refund, through discounting, on the majority of the 350 million BDL containers that are going through the depots.

The depots are independent businesses, but beer container discounting reflects negatively on the Return-It™ brand and therefore on recycling in general. The most frequent consumer complaints that we receive are about discounting at depots, something that we are not even responsible for nor have direct control over. Consumers clearly want both the convenience of depots and they want their full deposit returned.

By accepting beer container returns the depots are responding to consumer demand, but currently they must cover the cost of that service by discounting. Simply forcing full deposit return would effectively stop depots from providing a service that consumers demand. It is also a denial of the reality of how the bulk of beer containers are returned.

We are open and transparent about deposit return rates through signage at the depots and on our web site so that consumers are fully informed about whether they will receive the full deposit and can make informed decisions about whether and where to return their BDL containers.

## Private Retail Liquor Stores

We are open to applying the same service standards to Private Retail Liquor Stores as we apply to retail grocers who sell other beverages. We welcome information from BDL or from them directly to assess whether they warrant being incorporated into our collection network.

#### Summary

It is Encorp's view that all depots should provide a full deposit refund on containers that are covered under Schedule 1 of the Recycling Regulation of BC.

The Return-It™ depots are already an essential part of the BDL container recovery network, but are simply not being paid by BDL for their work on BDL's behalf. By the volume of BDL containers going through the depot network consumers have demonstrated their choice of return location. Consumers prefer the convenience of a one stop depot where they can return not just all their beverage containers, but a wide range of recyclables.

Our desire is that BDL recognizes that fact by licensing those depots and paying them for the service they are providing to BDL. We recognize the need to be prudent about costs and that implementation might be done over time, but the system should serve consumer needs, and system costs should not be paid out of consumer deposits.



Again, we would prefer that there not be regulatory change to resolve the discounting issue; however, we view the alternative of deeming each other's depots to be within each other's stewardship plan as the option that both serves consumers and meets the policy objective that has been put forward by the Ministry.

We look forward to any further discussion you would like to have on this issue.

Regards,

**ENCORP PACIFIC (CANADA)** 

Scott Fraser President and CEO

cc: David Ranson, Executive Director, Environmental Standards Branch David Lawes, Unit Head, Waste Prevention Jeff Newton, President, Canada's National Brewers Bryan Cox, Vice President, Western Canada, Canada's National Brewers From: Sharon Boyce <sharon@encorpinc.com>
Sent: Monday, January 6, 2014 2:06 PM

Ranson, David ENV:EX

Cc: Armstrong, Meegan ENV:EX; Ratcliffe, Julia ENV:EX; Scott Fraser

Subject: Regulatory Requirement for Return of Deposit in Cash

Attachments: express0114.pdf

Importance: High

Follow Up Flag: Follow up Flag Status: Follow up

#### Good afternoon,

To:

Please review the attached correspondence from Scott Fraser, President and CEO of Encorp Pacific as it relates to the regulatory requirement for return of deposit in cash.

If you require additional information, please feel free to contact us.

## Thank-you

Sharon E. Boyce Executive Assistant

Encorp Pacific (Canada) 206, 2250 Boundary Road Burnaby, BC V5M 3Z3

Phone: 604-473-2416 Fax: 604-473-2411

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To meet our recovery goals we need to open new depots in underserved metropolitan residential areas. This type of new concept retail return outlet is the only way we will be able to open those new depots.

## Change in the Regulation

The process for refunding deposits is outlined in Schedule 1, section 6 (1) of the Recycling Regulation:

**6** (1) A container redemption facility or, subject to subsection (2), a retailer whose premises are not identified in an approved plan, must accept containers for return and pay to the person returning the containers a cash refund in an amount [...]

The requirement for a cash refund is inconsistent with modern retailing practices and consumer expectations. It also impairs our ability to deliver on consumer demand for value-added offerings, such as the option of e-gift cards in amounts equal to deposit refunds made. Requiring cash transactions increases system costs in circumstances where a cheque or online accumulation of deposit refund values can be both cheaper and more convenient.

We request that the regulation be amended to remove the reference to having to pay 'cash', so as to allow alternative means of refund, including on-line accounts, cheques and e-gift cards.

These changes are essential if we are to continue to modernize the container returns system, which in turn is essential if we are to increase the recovery rate.

We look forward to your positive response to our request.

Regards,

**ENCORP PACIFIC (CANADA)** 

Scott Fraser President & CEO

cc: Meegan Armstrong

Julia Ratcliffe

Meegan.Armstrong@gov.bc.ca
Julia.Ratcliffe@gov.bc.ca



January 6, 2014

VIA E-MAIL david.ranson@gov.bc.ca

David Ranson
Executive Director, Environmental Standards Branch
Environmental Quality Branch
Ministry of Environment
PO Box 9341 Stn Prov Govt
Victoria BC V8W 9M9

Dear Mr. Ranson:

#### RE: REGULATORY REQUIREMENT FOR RETURN OF DEPOSIT IN CASH

If Encorp is to meet its recovery rate commitments we need to deliver a reverse retail experience that is consistent with consumer expectations and current retail practices. The current regulation's requirement to pay deposit refunds in cash prevents us from doing so and we ask that the regulation be amended appropriately.

## Background

In discussions with Ministry staff on December 12, 2012 we introduced our Express reverse retail concept. We have since described and expanded on Express in our 2012 Annual Report and in subsequent meetings with Ministry staff, including David Lawes and Meegan Armstrong, in May, July and December of 2013 we have reported our progress in piloting it.

In summary the Return-It Express concept is as follows:

- A customer brings in mixed containers in a clear bag, enters their phone number on a touch screen, and receives a bar-coded sticker to place on their bag; they drop the bag in a chute and leave;
- 2. Their containers are quickly and accurately counted;
- 3. Their deposit value is credited to an on-line account:
- The customer can accumulate refunds, redeem their value for electronic gift cards or cash (via a cheque), or directly donate on-line to charity.

We launched the first Express pilot within an existing depot, Kensington Square Return-It Centre in Burnaby, in September 2013. Customers can opt to sort their own containers and line up for a cash refund, or they can use the new Return-It Express. In the first three months of operation over 400 customers signed on for the Express service and already almost 10 percent of depot volume is going through the system.

We will be opening a new pilot concept reverse retail location in Yaletown in April 2014. This "Mini" location will offer only an Express service in a small footprint, cashless location. This location will be fast, convenient and, because no sorting or counting takes place on site, offers low noise with no odour – in short, exactly what a modern container return outlet should be.

Pages 193 through 194 redacted for the following reasons:

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s.13, s.14