



RECYCLEBC™

Recycle BC

Financial Incentive Review

Consultation Report

August 31, 2020

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SECTION 1: Introduction

1.1 Financial Incentive Review

Recycle BC outlines its approach to financial incentive reviews in its program plan¹. The province of BC's Recycling Regulation requires Recycle BC to adequately provide for the producer collecting and paying the costs of collecting and managing materials within the product category covered by the plan. Recycle BC's objective is to set fair and reasonable incentives for packaging and paper collection services.

Toward the end of each contract term Recycle BC develops a set of revised financial incentives that are proposed to collectors in conjunction with new services agreements. Recycle BC's program plan outlines the process for establishing financial incentives for collection and the methodology by which the financial incentives will be reviewed. Recycle BC conducted financial incentive reviews, with a cost study component, in 2013, 2018 and now in 2020. This latest review is an additional study requested by the Ministry of Environment & Climate Change Strategy (MOECCS) as part of its program plan review and approval process.

1.2 Project Background

For this 2020 review, Recycle BC began in May 2019 with an internal working group and in June 2019 Recycle BC's Advisory Committee was brought into the project to provide oversight to the cost study component of the financial incentive review process.

In October 2019, local governments and private collectors received a letter from Recycle BC requesting their participation in a cost study. Recycle BC issued a request for proposal in December 2019 to solicit proposals from qualified independent financial accounting firms to conduct a cost study to identify the cost to deliver the collection service for a number of Recycle BC packaging and paper collectors in British Columbia. Recycle BC was fortunate to have several respondents to this competitive procurement activity and awarded the study work in January 2020.

In February 2020, Recycle BC sent a letter to participants to introduce them to the study and the third-party professional service firm engaged to facilitate this cost study. Virtual and face-to-face meetings were conducted by this firm in February and March 2020 to obtain the study data. The cost study report² is available on Recycle BC's website.

Recycle BC followed its established methodology for financial incentive reviews (see program plan), incorporating the cost study findings, ultimately resulting in the consultation webinar held July 7 and 8, 2020.

¹ Recycle BC's program plan can be found at:

https://recyclebc.ca/stewards/regulation_and_stewardship_plan/

² Recycle BC's cost study report can be found at: <https://recyclebc.ca/recyclebc-consultation/#Financial>

SECTION 2: Consultation Process

Recycle BC's consultation process for its 2020 financial incentive review, including cost study results, was as follows:

1. Consultation Invitation

- Recycle BC reached out by email on June 19, 2020 with an invitation to all active collectors to register for their choice of two webinars in July for interested collection partners on the financial incentive review process, cost study findings and proposed financial incentive rates for curbside, multi-family and depot packaging and paper collection.
- On July 2, 2020 Recycle BC issued a reminder email to all active collectors and included a link to the Packaging and Paper Product Collection Costs Study, which was posted to its website, as a pre-read document.
- The MOECCS was invited to attend the consultation as an observer as was Recycle BC's Advisory Committee.

2. Consultation Webinar

- Recycle BC's consultation webinar provided an overview of the payment methodology for curbside, multi-family and depot collection. It included the cost study conducted in early 2020, which compared costs from a group of collectors in 2018 and the new larger study sample group of collectors in 2020. This webinar also outlined the new proposed financial incentive values for curbside, multi-family and depot within their respective Statements of Work.
- Recycle BC held its consultation webinar twice:
 - Incentive Value and Payment Methodology - Tuesday July 7 from 9:00 a.m. to 10:30 a.m. PT
 - Incentive Value and Payment Methodology - Wednesday July 8 from 1:00 p.m. to 2:30 p.m. PT
- Both webinars had the same content but with different times and a different agenda order for the collector to select the one that was most convenient.
- The PowerPoint presentation³ was posted on Recycle BC's website following the consultation webinars. A recorded version of the webinar was also posted for viewing.

3. Feedback Process

- During each of the two webinars, the agenda provided space for participants to ask questions which were answered during the webinar. The Q&A was posted on Recycle BC's website alongside the webinar post. It is documented in Appendix A.
- Following the consultation webinar there was a 30-day consultation feedback period which ended Friday, August 7, 2020.
- An email address was provided for written feedback to ensure that all comments were captured: consultation@recyclebc.ca
- During the webinars Recycle BC noted that specific feedback by collectors is essential to the consultation process.
- On July 22, 2020 Recycle BC issued a reminder email to all active collectors to provide feedback to the financial incentive review consultation.

³ Recycle BC's financial incentive review consultation webinar can be found at: <https://recyclebc.ca/recyclebc-consultation/#Financial>

- Consultation feedback received is documented in Appendix B.
4. Consultation Report
- The feedback received was reviewed in detail by Recycle BC and considered against the purpose of finalizing the financial incentives that comprise part of the collection services agreements.
 - This August 2020 report summarizes Recycle BC’s consultation process for its 2020 financial incentive review. It is posted on Recycle BC’s website.

SECTION 3: Consultation Participation

3.1 Session 1

Incentive Value and Payment Methodology - Tuesday July 7 from 9:00 a.m. to 10:30 a.m. PT.

Sector	Registered	Attended
Regional District	11	9
Local Government	30	23
Private Collector	11	4
MOECCS	2	2
Recycle BC Advisory Committee	2	2
Recycle BC/CSSA	11	10
Anonymous by Phone	-	5
Total	67	55

3.2 Session 2

Incentive Value and Payment Methodology - Wednesday July 8 from 1:00 p.m. to 2:30 p.m. PT

Sector	Registered	Attended
Regional District	7	2
Local Government	13	8
Private Collector	11	7
MOECCS	1	1
Recycle BC Advisory Committee	1	1
Recycle BC/CSSA	9	7
Anonymous by Phone	-	2
Total	42	28

SECTION 4: Summary of Consultation Feedback Themes

Written feedback was received from five collectors. Two of these collectors participated in the cost study and three did not participate. Their written feedback and Recycle BC’s response can be found in Appendix B of this report.

The feedback received had three main themes:

1. Single Stream vs. Multi-Stream

- Feedback: A desire was expressed by two collectors for greater differentiation between single stream and multi-stream rates to provide a greater incentive for multi-stream collection.
- Recycle BC consideration: The cost study found the payment gap largest in the highest density group (>2 HH/Hectare) for both single stream and multi-stream collectors. Recycle BC took the action to adjust payments by density to mirror cost study analysis results. The differential between the two collection types was increased slightly for the two highest density groups in this consolidation. To go further and incent behaviour change would require a review of the model -- this is an in-between check-in on the incentive rates; the decision early on was to keep the existing model and look at changes to the rates within the model not re-engineer the model in the middle of a contract cycle.

2. Multi-Family

- Feedback: Two collectors were disappointed with the change to multi-family collection rates particularly for multi-stream collection.
- Recycle BC consideration: The very small number of multi-stream multi-family samples did not provide reliable data to determine cost increases. A lack of responses and submissions was considered evidence that sufficient interest or concern did not exist pertaining to that incentive rate and that the existing rate was therefore enough. All collectors were invited to participate in the cost study. No local governments participated to provide multi-stream multi-family costs for the study.

3. Payment Values

- Feedback: Four responses included feedback on requests for increased payment values above Recycle BC's proposal: baling fibre, curbside glass collection, mixed paper & mixed containers at depots where curbside collection occurs, more funding for education, and more funding overall.
- Recycle BC consideration: Recycle BC's objective is to set fair and reasonable incentives. While it is true that individual collectors will have costs in excess of the financial incentive payment rates, other collectors will have costs below. Recycle BC provided detailed findings for the basis of compensation proposed.

To determine whether any fundamental changes are needed to the existing incentives Recycle BC undertakes its financial incentive review process including this consultation. All collectors were invited to participate throughout. Recycle BC reviewed the feedback against the purpose of finalizing the financial incentives that comprise part of the collection services agreements and is not making any further changes to the proposed rates.

Appendix A – Consultation Webinar Q&A

Recycle BC held its consultation webinar on the Financial Incentive Review Including Cost Study Results, July 7 & 8, 2020. A total of 18 questions were asked during the two sessions. They are documented below and the Q&A is also posted to Recycle BC’s website (see footnote page 4):

July 7

#	Sector	Question	Answer
1	Local Government	When will the new incentive rates be applied?	This step in the process is presenting the proposed rates in the context of the financial incentive review methodology and obtaining feedback with a 30-day feedback period. Once we review the feedback we will be in a better position to know the timing for next steps. A Consultation Report will be published that will describe the feedback and how it is actioned. Still several steps to go in this process.
2	Local Government	For those communities that Recycle BC is the service provider will only the incentive rates be paid to the contracted collector? For example, is Smithrite-GFL in Vancouver paid the incentive rate or is the per household rate higher or lower?	Rates for direct service areas are determined via a competitive RFP process. Direct service rates went into the mix of responses to comprise this cost study’s results; however, their payments are part of a contract with them whereas this cost study, with these proposed financial payments, is to determine our incentive rates and not what we pay through a competitive procurement process.
3	Regional District	What are the 3 rates for each type of collection system again? \$36, \$37, \$38?	The rates are on slide 39: \$37.40, \$38.80, \$42.80
4	Anonymous	Please elaborate on policy to not increase incentive in sectors where no response was given	A lack of responses and submissions was considered evidence that sufficient interest or concern did not exist pertaining to that incentive rate and that the existing rate was therefore sufficient. All collectors were invited to participate in the cost study.
5	Anonymous	Why not use inflation or CPI rate for incentive increase in these areas of no response	CPI rates were considered when the existing incentive rates were determined in 2018. For this study, where we felt we had insufficient responses in multi-family the overall MF proposal reflected CPI rates. Without costs from collectors in other response categories we made our best judgement on when to apply CPI in place of responses. CPI rates will be considered again when incentives are next reviewed with the next service agreements.

6	Regional District	When would these new rates be implemented?	Today's webinar is to determine what feedback we get from this proposal. Once we review the feedback we will be in a better position to know the timing for next steps. A Consultation Report will be published that will describe the feedback and how it is actioned.
7	Regional District	Can you clarify. Does this mean if someone did not reply, they will not get the depot increases? Staff were not able to allocate time to provide the data required. Our costs are covered by only approx 1/4 by incentives.	The incentive adjustments outlined in this presentation will be applied to all collectors via a change order if implemented regardless of whether collectors participated in the cost study or not.
8	Anonymous	Can you provide the rationale behind eliminating the admin top ups for Local gov. when it is clear that the cost for local gov to operate at depot then privately run depot? why not give private depots the top up?	We included the cost study findings on administration for depots when we determined the proposed increase for depots. By adjusting the tonnage payment amount we looked at what the additional increase would be, which ended up being a 58% increase overall. That % increase overall, while it is expressed as an amount per material, the total dollar value of that increase includes the cost study finding on increased administration costs. In order to bring private depots and local government depots to a place equally on payments, and effectively administer the payments, it was determined necessary to make it a per tonnage payment rather than a per household top-up as private depots do not have a defined number of households they service.

July 8

#	Sector	Question	Answer
1	Private Depot	Is the depot model based on a 5 year term or will it be increased yearly?	The depot model is based on our service agreement periods which are generally 5 years. This study is unusual as the government requested all stewardship programs undertake a cost study. This cost study is not typical as it does not align to a service agreement renewal and will require a change order to put these rates into effect - these rates if implemented will run for the length of the current services agreement.
2	Private Depot	What is the definition of "Depot"? 38 Depots that took part in study... How many were "return it centres	For this study, 25 local governments and 13 private depot collectors provided responses (private depots were not broken out by Return-It vs other private depot types). All depots were given the opportunity to participate in this cost study.

3	Regional District	Government depots came in with lower costs than private depots, did this surprise you and what were the driving factors?	It didn't surprise us - everything in this study gave us a greater range of costs than previous studies. We looked at driving factors and found that how depots categorize costs between collection and administration is quite different. It is more that cost structures on all of the cost categories for depots - how they structure their business and define their costs - is quite different than a particular driving factor between local government and private depot collectors.
4	Private Depot	Also, what about an incentive based model on volume increase per year?	As mentioned, this is not a typical financial review and study since it is not creating a new model (as we have the opportunity to do when we develop new contracts). This is an in-between check-in on the incentive rates so the decision early on was to keep the existing model and look at changes to the rates within the model not re-engineer our model in the middle of a contract cycle. If you have suggestions for a new model structure for the next contract cycle as part of the next program plan renewal it would be great to receive as feedback.
5	Regional District	Have you considered an incentive based system for depots, to encourage high performance like with curbside?	
6	Private Depot	For a depot operator that supplies a compactor / bin for OCC collection I believe there should be an increase in rates over 5 years due to wear & tear on equipment supplied.	The cost study had 11 cost line items for depots including several categories pertaining to equipment – the full list is on pages 6 & 7 of the cost study report (http://recyclebc.ca/wp-content/uploads/2020/07/Recycle-BC_2019-Cost-Study-Report.pdf) – so this element was one part of the review to determine the financial incentive payment model and rates.
7	Private Depot	Are other factors such as area clean up and extreme rising insurance costs considered in this study?	This study looked at 2019 actual costs – a point in time – so insurance 2019 costs vs. 2017 are captured. Area clean-up was considered a collection cost in other duties performed during collection for this study.
8	Private Depot	How many Return It Depots collect PPP for RBC? There are 170 in BC	There are 75 Return-It depots in our program. All were given the opportunity to participate in the cost study.
9	Private Depot	Return It Centres collect materials that curbside is not able to because of contamination and quality control. Collection of these materials are at a much higher cost. Including equipment, real estate, labour etc...Was this a consideration?	We reviewed collection costs from depots that collect curbside as well as depots that serve communities without curbside. All data points were analyzed. Some residents with curbside go to a depot with curbside material but the program has paid for curbside service and that is the primary channel. We consider depot service in respect to developing the payment rates based on what is necessary, effective and efficient. Yes, cost categories as mentioned were considered in this study.

10	Regional District	How did the curbside programs run directly by Recycle BC compare to local government run programs?	We did a random sample generation to determine the provincial representative sample for this study (mandatory participants) and also invited all collectors to participate (volunteers). Five direct service communities were randomly selected and went into the mix of responses to comprise this cost study's results. We are not providing the results of competitive procurement as it is commercially sensitive.
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Appendix B – Written Feedback Submissions

Recycle BC held its consultation webinar on the Financial Incentive Review Including Cost Study Results, July 7 & 8, 2020. Written feedback was received from five collectors. The feedback is provided below (edited to remove identifier):

#	Sector	Participated in Cost Study	Feedback	Response
1	Private Depot	No	We saw the new handling fee proposal for recyclebc products, and we were wondering why there is no change in baled cardboard and paper products. As of now, bailing cardboard and paper barely pays for itself with the amount of man hours are being used. Moreover, it needs to consider the amount of electricity, maintenance of the baler, as well as the rent of the land it sits on. Please have a look in to this matter	Thank you for your feedback. The cost study had 11 cost line items for depots including several categories pertaining to equipment. These elements were part of the review to determine the financial incentive payment model and rates.
2	Regional District	No	I am concerned that the density calculation for curbside is skewed. In 2019 higher density jurisdictions costs included the provision of carts or bin. This includes amortization, replacement and maintenance costs. Many lower density jurisdictions relied on blue bags. As of July 2020, blue bags are banned and communities were required to either supply carts or bins or, in some cases, require residents to supply their own reusable containers. My concern with the 2019 cost comparisons is that the provision of containers in 2020 will raise the costs to provide recycling service in rural areas where the cost to provide carts or bins is just being realized. Our analysis shows a much higher cost to deliver bins and maintain them in a rural area. Were these changes recognized in the study as it relates to comparing costs for high and low density curbside? Will they be updated after 2020 to compare the costs of bin provision and maintenance on rural collectors?	Thank you for your feedback. This study was specifically for 2019 costs (actual) and does not project future costs. The next study will look at actual costs during its study year and compare cost changes since the previous study. That is when new costs are picked up for consideration in the payment rates.
3	Local Government	No	The report reaffirms that Single-stream collection costs are significantly less than Multi-stream costs. The report also reaffirms that the quality of the recycled material and access to end markets are enhanced with Multi-stream collection. Unfortunately, the proposed incentive rate increases favor Single-	Thank you for your feedback. The fee differential between single stream and multi-stream incentive rates was

		<p>stream collection and provide no new incentive for Collectors to switch to Multi-stream collections. In fact the opposite is true; the incentive rates actually promote collectors to switch to Single-stream collection as a more attractive business model option.</p> <p>With the possible exception of Service Administration, the proposed incentive increases do not appear to reconcile with the cost study findings. For example, the proposed Curbside incentive increase is actually greater than the reported cost increase. Whilst the Multi-family and Depot incentive rate increases is less. Local Government Depots are reporting service delivery at half the cost of private Depots. Generally speaking, wages and benefits are higher in the public sector as compared to the private sector. We are curious as to how costs were calculated and weighted into the total operating cost findings. How were factors such as the cost of land acquisitions and property rentals, property taxes, and the number of staff per customer factored into the cost comparison analysis?</p> <p>Performance data highlighted that multi-stream collection has demonstrated a lower contamination rate as compared to single-stream collection and is the preferred collection method for maintaining the marketability of the recycled materials. This preferred collection method should therefore be the most promoted / supported collection method</p> <p>Given the performance benefits of Multi-stream, the proposed incentive rate increases could have more closely aligned with the desire to maintain the viability of multi-stream collections.</p> <p>The report did not detail any incentive increases for curbside glass collection. Glass collection can be one of the most challenging materials to collect as the use of vehicles with compaction equipment is limited. A proposed curbside glass incentive which would more accurately reflect the costs associated with curbside glass collection and possibly provides single-stream collectors with motivation to develop separate curbside glass collection.</p> <p>The proposal did not include an incentive rate increase for multi-stream multi-family collection.</p> <p>We understand the proposal to eliminate the Service Administration top-up and role this incentive into the various tonnage incentives categories. We request that more information be provided to explain how this adjustment will be</p>	<p>increased slightly not decreased.</p> <p>The cost study is only one component of Recycle BC's financial incentive review. The webinar detailing this information can be found on Recycle BC's website at: https://recyclebc.ca/recyclebc-consultation/#Financial</p> <p>The cost study report is on Recycle BC's website under its own heading on the same webpage: https://recyclebc.ca/recyclebc-consultation/#Financial</p> <p>The very small number of multi-stream multi-family samples did not provide reliable data to determine cost increases. The City of Burnaby was selected to participate and declined which contributed to the insufficient response from multi-stream collectors to have data to change that payment rate.</p> <p>There isn't any overall decrease in the incentive values with this cost study.</p>
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			<p>calculated. We further request that as a result of this change, the overall incentive (incentive thru all channels) to Depot Collectors is not reduced. We are pleased to see that Depot rates for foam, plastic film and OFPP are all increasing as these extremely light materials are costly to collect. We are discouraged that Depot incentive rates for Mixed Containers and Mixed Paper (where curbside and multi-family services exists) are not increasing. We disagree with opinion that Depot drop-off of Mixed Container and Mixed Paper collection at Depots is seen as “double charging”. Our experience has shown rather that depot drop-off of these materials occurs mainly due to occasional large quantity fluctuations which exceed curbside collection abilities. Increases to Mixed Paper and Mixed Containers incentive rates are recommended.</p>	<p>We reviewed collection costs from depots that collect curbside as well as depots that serve communities without curbside. Some residents with curbside go to a depot with curbside material but the program has paid for curbside service and that is the primary channel. We consider depot service in respect to developing the payment rates based on what is necessary, effective and efficient.</p>
4	Local Government	Yes - curbside	<p>Overall, <x> supports increasing the financial incentive payments to local governments; however, we do have specific concerns that are highlighted below.</p> <p>The proposed incentive payments do not sufficiently cover the cost of providing curbside collection of Recycle BC's program materials. Under our agreement with Recycle BC, <x> would receive a total of \$43.05/HH/year to provide single-stream recycling collection, according to the proposed payment rates, and no change to the payments received for glass packaging collection. The <x> actual costs were provided to Recycle BC as part of the 2019 Cost Study, and in 2020 will amount to approximately \$70/HH/year to collect single-stream recyclables. Consequently, the proposed payment rates will only cover 62% of the cost to deliver the single-stream curbside recycling service. The remainder will continue to be paid by residents, which contradicts the requirement under the Recycling Regulation for producers to pay the costs of collecting and managing their program materials.</p> <p>While we understand that costs vary between municipalities and that managing contamination represents an expense, the City of Chilliwack would like to take this opportunity to advise Recycle BC to meet its obligations under the Recycling Regulation and cover the full cost of recycling its program materials. If</p>	<p>Thank you for your feedback.</p> <p>The province of BC's Recycling Regulation requires Recycle BC to adequately provide for the producer collecting and paying the costs of collecting and managing products within the product category covered by the plan. Recycle BC's objective is to set fair and reasonable incentives for packaging and paper collection services.</p>

			the incentive payment system is not able to meet this responsibility then Recycle BC should be prepared to move towards a direct service model in all communities.	
5	Local Government	Yes – depot	<p>Please note comments in regard to the 2019 cost study:</p> <ul style="list-style-type: none"> - The study findings clearly show higher contamination rates in single-stream programs, contributing to increased sorting requirements for processing. Yet, the incentive rate for single-stream programs remains only marginally lower than those of multi-stream programs. The incentive premium for multi-stream programs does not appear sufficient to motivate these types of programs. This leads to the question as to whether Recycle BC is actually incenting collectors to move toward single-stream programs instead? Suggest that Recycle BC consider a greater incentive premium for collectors with multi-stream programs in light of the higher collection costs to achieve curbside sorting (truck configurations, more time and motion for collectors at curbside, etc.) if multi-stream programs are preferred. - We were disappointed in the lack of an increase in the incentive rate for multi-family programs. The single-family incentive, while still insufficient to cover costs, at least represents an amount which is closer to costs (approximately 84-85%) vs. multi-family incentive rates at (64-67%) of costs. Please consider a higher incentive for multi-family, multi-stream programs. - We note that the first study was done in 2013, 2018 and now 2020. While more frequent studies are good, our suggestion is to include an annual inflation amount to the incentive rates – a minimum of 2.3% as per the study findings for the BC consumer price index would be a good place to start. <x> annual contracted inflationary amount exceeds even the 2.3% amount per the study. - Education costs – <x> would like consideration of increased incentives for education. As a result of recycling scorecards from Recycle BC highlighting contamination issues, <x> has undertaken increased outreach campaigns (x campaigns) and these campaigns alone cost upwards of \$1.50 per household. Lastly, it would be helpful to understand and/or clarify any changes concerning fines or if these stand per current agreements. We believe these are exempt from this process, but clarification would be appreciated. 	<p>Thank you for your feedback.</p> <p>The fee differential between single stream and multi-stream incentive rates was increased slightly not decreased.</p> <p>The very small number of multi-stream samples did not provide reliable data to determine cost increases.</p> <p>Costs can increase or decrease depending on industry trends, competition, etc., and, as a result, we do not believe automatic CPI adjustments are appropriate. We enlist a third-party financial accountancy firm to conduct the cost study and participation in these studies is vital to determining the true costs.</p> <p>There are no changes being proposed to the Service Level Failure Credits at this time.</p>