



RECYCLEBC™

Financial Incentive Review

2024 Cost Study

Table of Contents

Section 1: Introduction.....	2
1.1 Financial Incentive Review Summary	2
1.2 Preliminary Engagement Work	2
1.3 SOW Renewal/Cost Study Working Group	3
Section 2: Engagement Process	5
Section 3: Summary of Feedback from Engagement Sessions.....	6
Curbside and Multi-family.....	6
Depots.....	6
Appendix A: Engagement Webinar Q&A – All Non-Direct Service Collectors.....	9
Appendix B: Engagement Webinar Q&A - SIWMA Conference Collectors.....	10
Appendix C: Written Feedback from Local Governments.....	12
Appendix D: Written Feedback from Association	16

Section 1: Introduction

1.1 Financial Incentive Review Summary

Recycle BC outlines its approach to financial incentive reviews in its [Program Plan](#) and is required to offer fair and reasonable incentive rates to promote efficient and effective collection of household packaging and paper products (PPP). The 2024 Cost Study¹ aligns with the requirements outlined in the Program Plan and is the fourth cost study undertaken by Recycle BC. Previous studies were completed in 2013, 2018, and 2020.

The purpose of the cost studies is to canvass collection service providers (collectors) who operate in British Columbia (BC) under Recycle BC's Stewardship Plan. Collectors were canvassed for operating costs and related information to be used to establish market clearing prices for collectors. The timing of the 2024 cost study coincides with renewal of service agreements to ensure contractual requirements of collectors align with incentive rates.

In 2024, Recycle BC engaged with collectors to develop and finalize a cost study questionnaire to capture all costs related to collection. Deloitte was hired as a third-party consultant in March to administer the study and Recycle BC developed a working group representing a cross section of all collector types to help inform the updated service agreements and incentive rates.

Proposed incentive rates were presented to collectors on September 26, 2024, with a three-week feedback period following the presentation. Changes based on feedback received represent the final rates presented to collectors in their service agreements.

This report provides background information on Recycle BC's engagement efforts with collectors including detailed feedback from the September 26 incentive rate presentation and the written feedback period (September 27 to October 15). Appendices include detailed questions/comments that were recorded.²

1.2 Preliminary Engagement Work

Between November 2023 and March 2024, Recycle BC's internal team collaborated to build a database of collectors' feedback and concerns related to the Statements of Work (SOWs) and incentive rates. This database and internal working group helped inform the draft cost study questionnaire prepared by Deloitte.

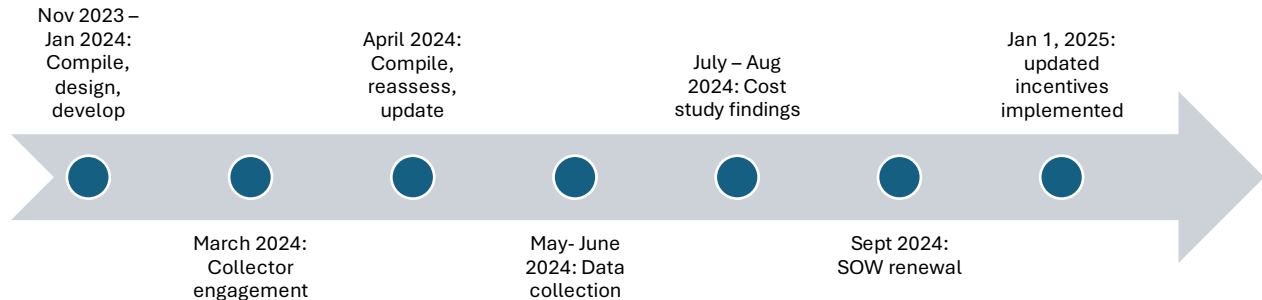
In March, all collectors were presented the cost study process and methodology and asked to provide feedback during a three-week period. Webinar recordings of the presentations were provided to collectors and the Advisory Committee for information and feedback as well. Feedback from collectors included: timing of the SOW renewal, contamination costs, travel costs, glass collection costs, electric vehicle costs, the desire for a collector working group for incentive rate development and the need for

¹ <https://recyclebc.ca/wp-content/uploads/2024/10/Recycle-BC-PPP-Collection-Cost-Study-2024-Final.pdf>

² To maintain brevity and clarity, Recycle BC paraphrased questions in the Appendices. Information that was unique to a collector was excluded to maintain privacy.

annual incentive increase triggers in contracts. This feedback was incorporated into the cost study and SOW renewal plan and the final cost study questionnaire to capture these costs, where applicable.

A preliminary timeline was presented to collectors:



Both curbside/multi-family and depot virtual training sessions were held for collectors at the end of April and early May to provide a step-by-step approach to completing the cost study questionnaires. Recordings of the training sessions were sent to all collectors with a deadline of May 31 for questionnaire completion. During these sessions Recycle BC confirmed Deloitte would be available to support collectors and provided contact information.

In May, Recycle BC sent the SOW renewal survey link to all collectors. The survey provided an opportunity to provide feedback on the SOW renewal work. Feedback included the desire for the development of a working group; a collector working group was established and included representation from curbside, multi-family, depot (both private and local government) and one First Nation collector.

Recycle BC received additional feedback that deadlines for the questionnaire and SOW renewal survey were challenging to meet. Recycle BC extended the deadlines to June 7 for questionnaires and June 14 for the SOW survey.

1.3 SOW Renewal/Cost Study Working Group

Between June and August 2024, Recycle BC facilitated a working group focused on SOW revisions and the cost study (multi-family, curbside and depot). The working group was comprised of collectors with an active SOW representing the recycling supply chain for Recycle BC’s program.

Key elements for discussion included:

- Curbside and Multi-family Statements of Work (SOW);
- Depot Statement of Work (SOW);
- Related collection incentives;
- SOW renewal survey results and feedback; and
- Preliminary aggregate cost study findings and proposals.

The composition of the working group included:

Name	Representative For:
Tom Watkins	Capital Regional District
Sarah Willie	Comox Valley Regional District
Vivian Schau	Comox Valley Regional District
Marcia Dick	City of Kamloops
Kirsten Gellein	Nanaimo Regional District
Ben Routledge	Nanaimo Regional District
Amy Wilson	Regional District of Central Kootenay
Tera Grady	Cariboo Regional District
Peter Grant	Salt Spring Island Depot
George Jasper	Waste Control Services
Vanessa Brown	Heiltsuk Tribal Council
Sydney Hartley	City of Chilliwack
Donna Bucsis	City of Port Moody
Cara Heck	Columbia Bottle Depot (BCBRDA)
Paul Shorting	Regional Recycling (BCBRDA)

The intention of revising the SOWs in tandem with the cost study was to align new incentive rates with revised SOWs. While some working group members voiced their preference to extend the project timelines and preferred a one-year extension, Recycle BC had full confidence that it was most effective to undertake both initiatives at the same time. The Regional District of Nanaimo sent a letter to the Ministry of Environment and Parks outlining their concern with the timing of SOW renewals; Recycle BC created a contingency plan to address this concern.

Recycle BC provided the working group with preliminary cost study results from Deloitte. The information was used to discuss how these results might impact Recycle BC's new rates.

Key themes and resolutions from the working group included:

1. The time of SOW renewals felt rushed, requests were made to execute a one-year extension (as allowed under contracts with 180 days notice); as the notice period had lapsed, the resolution was a six-month extension agreement.
2. Filing reports is onerous and time-consuming; reimbursement for time spent was suggested; resolution was clarity on reporting requirements and additional reporting requirements beyond contract specific would be agreed by both parties.
3. 3% contamination rate is challenging to achieve; resolution was to adjust to 5% where appropriate and update bonus structure based on low contamination rates versus quantity of material collected.
4. Promotion and resident education top-ups do not cover the true costs of promotion and resident education – collectors will spend more if they have more to spend; resolution included an increase over and above what the cost study results informed to support this concern.

5. The review of draft incentive rates³ feedback was mixed with some collectors supportive of curbside, multi-family and depot draft rates while others were not. The BC Bottle Depot and Recycling Association (BCBRDA) representing many Recycle BC private depot partners, and one large size unrelated depot were concerned with the largest group size of depots not receiving enough increase in rate change; resolution included an adjustment of depot group sizes (down from six to four) and increase in rates to balance out increases amongst depot group sizing where the largest grouping subsequently received a 23% increase.

At the conclusion of the working group, members were asked to share their thoughts and experience at the planned September 26 presentation.

Section 2: Engagement Process

Recycle BC's engagement process for its 2024 financial incentive review, including cost study results, was as follows:

1. Draft Rate and Updated SOW Presentation Invitation
 - August 19: An invitation with registration link was sent via email to all active non-direct service collectors for a presentation of the updated draft incentive rates and SOW changes session to be held on September 26.
 - A second presentation was scheduled for the same day to accommodate collectors who were attending the Southern Interior Waste Managers' Association (SIWMA) Conference. Recycle BC coordinated with SIWMA event organizers to ensure conference participants were informed of the presentation and could attend.
2. Presentation Meeting
 - Recycle BC held two presentation/engagement sessions on September 26:
 - i. 10:30 a.m. to 12:00 p.m. for SIWMA conference attendees
 - ii. 1:00 p.m. to 2:30 p.m. for all non-direct service collectors
 - Both sessions included the presentation and discussion on the financial review process, cost study findings and proposed financial incentive rates for curbside, multi-family and depot packaging and paper collection. Collectors were invited to ask questions and provide feedback. A recording and copy of the presentation was provided the following day.
3. Engagement Participation⁴
 - SIWMA Conference:
 - i. Participation: 50
 - All Non-Direct Service Collectors:
 - i. Registered: 188
 - ii. Participation: 90
4. Feedback Process
 - Following the engagement sessions, a three-week written feedback period was provided ending on October 15.

³ see 'Key cost study findings and draft rate inputs' section below for more rate information

⁴ Excluding Recycle BC and Circular Materials staff.

- Participants were encouraged to contact agreements@recyclebc.ca and submit their feedback.

Section 3: Summary of Feedback from Engagement Sessions

Feedback from the September 26 engagement sessions is summarized below:

- Several collectors (curbside, multi-family and depot) were happy or very happy with the new rates;
- Several collectors indicated that glass collection rates for curbside and multi-family were not sufficient; none of these collectors currently collect glass;
- One collector was concerned over the promotion and resident education (P&E) rate for multi-family due to higher contamination rates; this collector is not currently a multi-family collector;
- General comments on SOW terms for clarity and grammar were acknowledged;
- Clarity around how a depot grouping size is determined was addressed;
- Smaller size depot representation from the working group would like to see the original draft rates and groupings for the smaller size depots; and
- BCBRDA supported the higher rate for very small depots but wanted to see several changes:
 - An additional adjustment to move the size one depot from 0-80 to 0-90 tonnes;
 - a uniform rate that includes a 15% ROI for all progressive volume that private depots collect over and above the first 90 tonnes; and
 - recognize the difference between private and local government depots.

Curbside and Multi-family

Outside of glass, no feedback was received regarding the need to increase the curbside or multi-family household rates and their related service administration and resident education rates; therefore, no changes were made. For glass collection, the cost study results showed that the cost per household for the collection of glass (which respondents collect with other material), was less than collection without glass. In addition, the base rate per household increase directly impacted the rate for glass collection for collectors who are not collecting glass separately on glass only trucks. Collecting in this manner would not be efficient collection and therefore was not considered further.

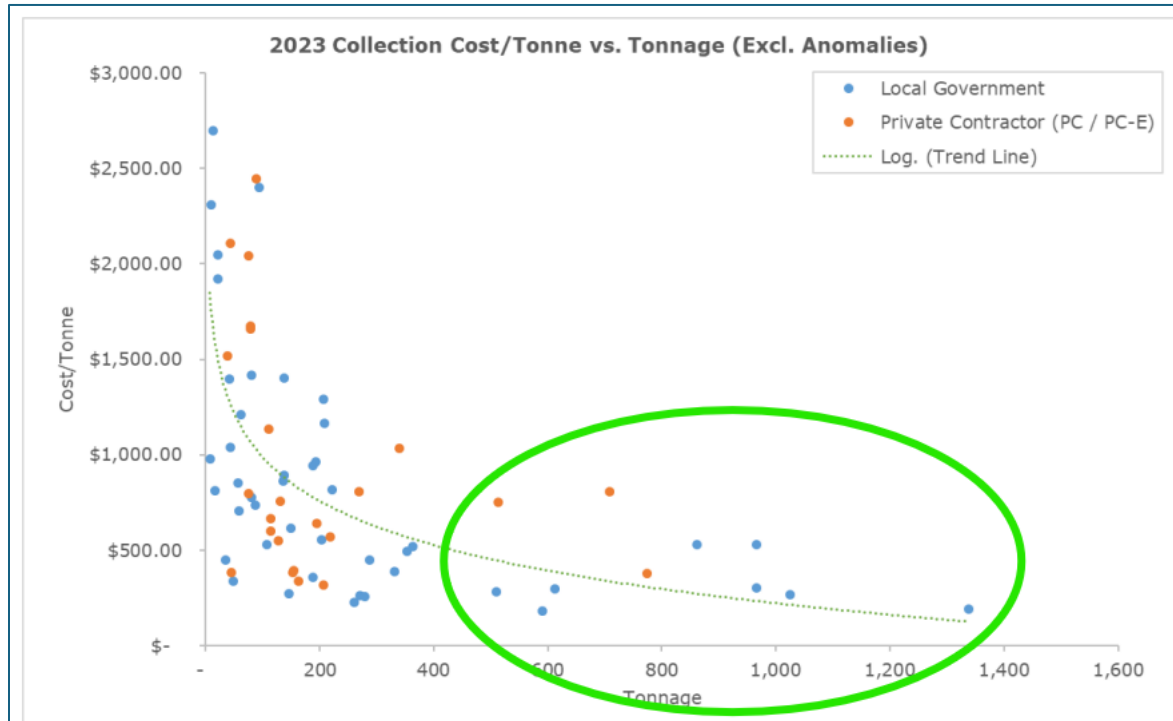
Depots

For depot incentive rates, the feedback above informed Recycle BC of an increase in rates for the smallest depot size groupings by 6%. No changes were made to other groupings nor was an adjustment made to design a uniform rate. This was due to several factors including, but not limited to the largest grouping being provided with a 23% increase from the preliminary draft rates. In addition, the groupings were not adjusted further as they were previously adjusted based on the working group feedback and no other depot provided feedback on this change. Finally, the cost study results showed a clear trend that as more tonnes are collected, costs per tonne decrease.

No changes were made to separate private and local government depot rates as there was no clear indication in the study that these costs were different. Although the overall weighted average cost per

tonne showed a differentiation, when looking more closely, the scatter graph shows variability in costs at all levels of tonnage collected for private and local government depots. Further, the number of high tonnage low-cost local government depot surveys submitted was substantially more than the private depots (Figure 1). This aligns with Recycle BC’s collection network where local government depots represent depots with the highest collected tonnes of all depots. These high tonnes increase the denominator which subsequently decreases the weighted average.

FIGURE 1: COST/TONNE VERSUS TONNAGE



The BCBRDA’s request for a 15% profit margin was compared to the [Government of Canada Financial Performance Data](#) reports for BC incorporated businesses falling under the ‘waste management’ industry categories accessed on October 23, 2024. The BC waste management industry profit margin ranged from -1.4% to 27% in 2022. It is of Recycle BC’s opinion that 5% is a fair margin, understanding that efficient depots will receive a higher profit margin versus inefficient ones.

Overall, the 2024 cost study has been Recycle BC’s most robust and engaging study to date and has met all Program Plan requirements. This study saw an increase in questionnaires analyzed from 69 in 2020 to 126 (Figure 2). This is due to many factors including the Recycle BC team implementing thoughtful and meaningful feedback from collectors on the design of the study, collectors putting in the time and effort to participate in this process and completing the questionnaires and the Advisory Committee providing meaningful feedback and oversight of the process from the inception of the project.

FIGURE 2: 2024 COST STUDY QUESTIONNAIRE PARTICIPATION

Cost Category	2020 Participation	2024 Participation
Collection Cost		
Curbside Collection	23	42
Multi-family Collection	8	12
Depot Collection	38	72
Total Collection Cost	69	126
Promotion and Education	66	84
Service Administration	66	89

Appendix A: Engagement Webinar Q&A – All Non-Direct Service Collectors

September 26, 2024

#	Question	Answer
1	Clause 2.2.1 – is Recycle BC planning to make any changes to the existing approach to audits?	Recycle BC does not intend to change its existing approach to audits.
2	Will the bonus be based on not accepted material rates by quarter or annually?	It is very similar to the current bonus structure so it will continue to be annual.
3	Would there be any considerations to allow local governments to combine multi-family and ICI?	This is feedback that we've received before and is understandable. At this stage we are very early in the process. We need to make sure that we execute this properly from the private company side before we look at the local government option. We have noted that this is of interest.
4	What is the new frequency for the reduced split weighing requirement?	Split weighing is something that's only applicable to certain collectors. This language was never included in the Statement of Work before and the only thing that's changing is that this language is now in the Statement of Work. The actual application of it is not changing, and therefore frequency won't change based on what it is today for collectors that currently split weight.
5	What happens within the first 24 hours of a temporary closure of post-collection facilities? SOW language is clear, for after 3 days, but not in the immediate time.	<p>The new language is that if a facility closes for more than 3 days we will work together on a mutual arrangement. Up until that time, there could be various options such as:</p> <ul style="list-style-type: none"> - Directing to another receiving facility within a reasonable distance. - Holding material on trucks or pausing collection for a certain period until a better solution is found. <p>The solutions could vary but the outcome is figuring out how to keep the material moving without incurring too much cost on anybody's behalf.</p>

Appendix B: Engagement Webinar Q&A - SIWMA Conference Collectors

September 26, 2024

#	Question	Answer
1	If Recycle BC is allowing limited ICI collection (to be deducted) on multi-family routes in very rural communities, is there an opportunity for a few small businesses to be allowed on curbside collection routes?	Recycle BC is working with private haulers on a contractual mechanism where residential routes do not need to be separated from ICI routes, yet they can be compensated for the residential portion of the route and Recycle BC can accept the related tonnage into the program. Depending on how successful we are at implementing this with private haulers, we may look to do something similar with local government collectors in the future. This does not imply we are accepting ICI materials into our program.
2	Recycle BC mentioned a change in the service level failure structure for depots. Is there any change for curbside?	The curbside remains the same. There is already a tiered system in place based on the number of households. There was no tiered structure in place for depots; it was a consistent value regardless of tonnes collected.
3	ICI Management Option number 4 was removed, will depots be able to switch to ICI management option number 3, where a mix of ICI is allowed based on a pre-determined calculation?	The Recycle BC program manages materials generated from residential sources. The approval of ICI inclusion is at Recycle BC's sole discretion and considered case by case. If approval is granted, any applicable incentive rate associated with collecting the representative proportion of ICI materials during collection is removed. Further, any costs related to transportation and post collection processing of the proportion of ICI materials would be the responsibility of the collector to manage.
4	With new legislation and new things going on in our country, in terms of individual single-family homes are being made into multi-family homes that are 4 or more units. How is that going to affect recycling, and what kind of services will you provide to those properties because there is going to be more than one household? And if you are charging costs	<p>If the residents of a complex are bringing it all to one single location and you have 5 or more units then that would be multi-family.</p> <p>If each unit is setting it out individually that would be curbside. With changes in regulation and densification, we believe that the definitions we have are still applicable.</p>

#	Question	Answer
	on a per household basis, how is that going to be looked at?	
5	Related to community eligibility in the Program Plan, our community could lose up to five depots. Is the statement of work going to grandfather in our current network, or could we be losing depots once the Program Plan is approved?	<p>The statements of work are an agreement and not connected directly to the Program Plan, which is with the Province for approval.</p> <p>For the statements of work, there are termination clauses included for a variety of reasons. Each collector will determine whether they are comfortable with the language within the agreement and wish to proceed.</p>

Appendix C: Written Feedback from Local Governments

Time Period: September 27, 2024 to October 15, 2024

#	Question/Feedback	Answer
1	Based on several of the ways Recycle BC presented information we did not interpret that the new rates were applied to total depot tonnage. Rather, we interpreted that the specific rates were applied to the tonnage of each material collected. I asked two other local governments, and one interpreted the application of the rates the same as us and the other applied the total depot tonnage. So, there may be others with the same interpretation as us.	<i>Thank you. Comment Noted.</i>
2	Glass should be paid on a per HH basis, rather than per tonne, like all other PPP. There are fixed costs associated with having a collection vehicle drive by all curbside households regardless of how much glass is put out for collection. There is a risk that if there is very little glass put out on a given collection that the contractor does not get fully compensated for the cost of providing this service. It doesn't seem logical that glass is treated differently than the other PPP.	<i>Thank you. Comment Noted.</i>
3	Is Recycle BC able to provide examples of accepted methodologies or general parameters that may be approved for determining the percentage of in-scope PPP that is comprised of ICI PPP?	Approval of Option 3 for ICI material management is at the sole discretion of Recycle BC. Recycle BC has a base model for ICI studies, including minimum time periods which a study must occur over, the requirements for staffing, diversion of all inbound Customers and segregated collection of each material category. Individual Collectors then develop a plan suitable to their originating site to manage the process.
4	Will it be negotiable for certain depots to be classified into a lower scale if their volume was near the bottom range of the tonnage? Will Recycle BC annually adjust the tonnage data, or will the original tonnage data be applied for the duration of the SOW?	The depot sizes (fee groups) are determined based on total tonnes of all material collected in a year, from an individual depot. For example, if the total tonnes for ALL material collected at a single depot is 100 tonnes, the material fee rates for all materials would follow size 2 for that depot. If the total tonnes for ALL material

#	Question/Feedback	Answer
		<p>collected at a single depot is 140 tonnes, the material fee rates would follow size 3 for that depot. Depots whose total tonnes of ALL material collected is close to a size threshold will be assessed further and will be contacted by a Recycle BC representative to discuss further.</p> <p>Yes, tonnage sizes will be assessed annually. Please see the Depot sample SOW section: Attachment 1(a) "Recycle BC will adjust the Depot Fee Group on the first day of each calendar year, based in each case on the aggregate weight of Household In-Scope PPP collected at such Principal Depot in the twelve (12) month period ending on August 31 of the immediately preceding calendar year (pro- rated in the case of a partial year)."</p>
5	The determination of a depot fee group is based on the individual depot's tonnage and not the combination of a region's depots tonnages added together, is this correct?	Yes, the total tonnes from each originating site will determine the Fee Group for that site.
6	Can you confirm poly-coated containers are considered mixed containers?	Yes, they are.
7	Why is the single stream increase so low compared to multi-stream? Slide presentation shows a 10% increase vs a 66%.	The adjustments to rates were based on the weighted average cost per HH results in the cost study differentiated by efficient single stream and multi-stream (see slide 29). The 10% and 66% increases reflect the increase from the current rates. The 31% reflects the increase from the weighted average cost per HH for both single stream and multi-stream combined when comparing current cost study results from the last cost study results.
8	Was the CPI factored into rate increases for curbside and multi-family collection as it was for depot?	CPI factors have been considered for all rates.
9	Why did Recycle BC change the tonnage data period to between Aug 1, 2023, and July 31, 2024 instead of between September 2023 and August 2024 as previously suggested?	Recycle BC data for collectors for the month of August 2024 was not yet fully submitted during the time of calculation; therefore, the dates were moved back one month to ensure a full 12 months of data was used.
10	The local government would like Recycle BC to consider including In-Scope PPP generated from ICI sectors, especially OCC into our recycling streams. It was our understanding that if the local government was approved to adopt	The Recycle BC program manages materials generated from residential sources. The approval of ICI inclusion is at Recycle BC's sole discretion and considered case by case. If approval is granted, any applicable incentive rate associated with collecting the representative proportion of ICI materials during collection is

#	Question/Feedback	Answer
	<p>Option 3 for the ICI recycling at our depots, the incentives would be reduced based on the estimated % of ICI volume. However, what we have heard recently from Recycle BC at SIWMA conference was that the collectors who choose to include ICI volume may also need to cover the post-collection costs. We would like to get a clarification/confirmation for us to fully understand how Option 3 for ICI recycling works with the new SOW.</p>	<p>removed. Further, any costs related to transportation and post collection processing of the proportion of ICI materials would be the responsibility of the collector to manage.</p>
11	<p>Due to our high workload, our fee incentive feedback is primarily focused on the curbside glass collection incentive, which is depressing. If Recycle BC is looking to help offset the cost that local governments are shouldering, this incentive amount needs to increase.</p>	<p>The incentive rate schedule is developed with efficient and effective collection models in mind. Cost study data supports the incentive rate for the collection of segregated glass packaging utilizing the efficiency of a collection vehicle able to accommodate multiple material streams, or using existing fleets to collect, rather than net new collection vehicles solely purposed for glass collection.</p>
12	<p>The proposed rates are still a huge step forward in producers paying the cost, resulting in large increase for the collector overall, and for our depots with the new rates will cover the labour costs. If there is still an opportunity to discuss higher rates for very small depots, I'd like to participate.</p>	<p>Recycle BC reviewed the smallest depot rates and adjusted to reflect this feedback.</p>
13	<p>This local government is pleased to see recognition of small communities within the depot cost study findings, which support their existence as well as their financial viability. Recycle BC has proposed a payment structure reflecting the data showing smaller sites are more expensive to operate but offers compensation that does not diminish their importance to the residents of these small communities. The geographic and logistical realities of providing recycling services in our region, especially in more remote or island communities, present unique challenges. These areas rely heavily on ferries and long-distance transportation to access depots and recycling facilities, factors which significantly increase operational costs</p>	<p>The cost study results showed that those depots who used compactors had the lowest weighted average cost per tonne; therefore, no differentiation rate was provided. The cost study captures costs related to collection and excludes costs related to the delivery of material from a depot to a receiving facility as these costs are borne by Recycle BC.</p>

#	Question/Feedback	Answer
	<p>compared to more densely populated or easily accessible areas. Our funding will increase for depots with these new rates and will come closer to covering the cost of providing the required staffing necessary to meet our Recycle BC obligations, including activities like keeping contamination low, facilitating loading, and responding to customer inquiries. However, the finding that container type does not drive costs is not in agreement with the data shown. Compactors increase density and reduce the number of trips required for transport. This overall service delivery cost reduction for Recycle BC was not considered when evaluating the effectiveness of compactors as part of their collection system, as the savings are realized as part of the post-collection contract. The collector experiences increased costs to invest in the capital (infrastructure and equipment) and potentially fund staff oversight. Facilities baling and compacting had some of the lowest costs per tonne, as well as being high volume sites. They compact to save space; small sites compact to reduce pick-ups. If Recycle BC wants to see reduced greenhouse gas emissions for transportation over large distances, including travel on ferries, then they should incentivize the use of electric compactors as well as balers for all collectors.</p>	

Appendix D: Written Feedback from Association

Time Period: September 27, 2024 to October 15, 2024

#	Question/Feedback	Answer
1	<p>Recycle BC is continuing with its paradoxical non-progressive volume-based Incentive Rates framework, which penalizes for-profit, convenience-driven Depots for handling more materials.</p>	<p>The fee groups proposed by Recycle BC are based on the findings of the 2024 cost study. As communicated through the working group, the administrative back-end system is not currently set up to allow for a progressive volume-based approach, however this is a project identified for 2025 with the intent of being able to implement this style of payment mechanism in the future. Recycle BC has reviewed the impact on each depot for 2025 and has been working closely with those depots who have narrow margins between each grouping to ensure an appropriate size group is used. Based on this review using 2023 tonnage and material mix, each depot in the Recycle BC network will receive an increase in rate payment in 2025 and will not be penalized.</p>
2	<p>Recycle BC’s cost study only measures the “average” Collector’s cost – and then adds 5% (e.g., where the 5% is reflected as ROI for private Depots and as education and promotion for local government Depots). With the large standard deviation apparent in the cost study and the fact that, by the nature of the “average”-focused approach half of the Depots will be less profitable than the average, nearly 40% of Depots will lose money collecting Recycle BC materials (i.e., have a ROI that is <0%). Depot losses- both in number and the amount that they will lose – only increase when you also consider that:</p> <ul style="list-style-type: none"> • Recycle BC’s Incentive Rates don’t consider private Depots’ opportunity costs as convenience-focused locations. 	<p>The cost study, informed by collectors’ feedback (including private and local government depots), was designed to capture all costs related to the collection of PPP material. The cost study was performed by Deloitte, a reputable and knowledgeable third-party organization with a history in EPR and statistical analysis. With the data provided by depots, and expertise of Deloitte, a weighted average calculation was used to determine fair, reasonable and efficient collection rates which were further bolstered by the inclusion of administrative, inflation, and basic resident education amounts. Private depots provided feedback that they wanted a profit margin and/or return on investment. The BC waste management industry profit margin ranged from -1.4% to 27% in 2022 per the Government of Canada Financial Performance Data reports for BC incorporated businesses falling under the ‘waste management’ industry categories accessed October 23, 2024. It is of Recycle BC’s opinion that 5% is a fair margin, understanding, based on the cost study results, that efficient depots will receive a higher profit margin and those that are not efficient will receive a lower profit margin. For local government depots, who have an additional responsibility of resident education at a regional level, this additional 5% will be used for that purpose.</p> <p>The change in rates from 2024 to 2025 will see an average increase in incentives payments based on 2023 data of approximately 80%. Finally, the objectives of sections 4.3.2 and 4.9 of Recycle BC’s Program Plan is to set fair and reasonable</p>

	<ul style="list-style-type: none"> Recycle BC’s proposed 5% ROI is a below market rate that does not recognize the risk or opportunity costs that private Depots assume in the marketplace nor reflect precedents set by Producer Responsibility Organizations. 	incentives and is responsible to its producers to deliver an efficient and effective PPP EPR program.
3	Recycle BC acknowledges that there is a cost differential between private Depots and local government Depots; however, its Incentive Rates structure does not acknowledge or reflect this.	The overall weighted average cost per tonne for all local government depots did show a lower cost per tonne than the overall weighted average cost per tonne for private depots. However, when examining the trend line and local government versus private depots along the trendline further, it was evident that those depots that collected more than 400 tonnes per year were represented mostly by local governments (eight local governments versus three private). These depots with higher tonnes including five local governments with more than 800 tonnes per year with lower costs on the trend line and zero private depots collecting over 800 tonnes per year clearly impacted the weighted average. When reviewing depots that collect less than 400 tonnes per year on the trendline, there are multiple samples for both private and local government, each crossing both well below and well above the weighted average. Therefore, Recycle BC focused on the trend line that was evident across all depots instead - the amount of tonnes a depot collects impacts their costs and whether they are private or local government is not indicative of cost.
4	Recycle BC’s Incentive Rates are grounded in economies of scale that are definitively not present for private Depots collecting more than 90 tonnes per annum and in fact, using the Recycle BC’s own Cost Study data for private contractors, it is clear that above the 90 tonnes per annum threshold the data points illustrate that there are actually negative economies of scale (i.e. diseconomies of scale).	Recycle BC has created four groupings for a new incentive payment structure. Size 2 ≥80 or <125 tonnes collected per year is an increase to the current rates from 10% to 560% depending on material type and if the depot currently resides in the with or without curbside areas. Recycle BC has reviewed the impact on each depot for 2025, based on 2023 data, and has been working closely with those depots who have narrow margins between each grouping to ensure an appropriate size group is used.
5	Despite Recycle BC presenting updated Incentive Rates that were intended to mitigate	Recycle BC has reviewed the impact on the group size for each depot for 2025 incentive rates. Based on this review using 2023 tonnage and material mix, each depot in the Recycle BC

	potential losses to higher volume Depots, volumetric tiering remains likely to result in losses for Size 4 private Depots.	network will receive an increase in overall rate payment. Recycle BC has been working closely with those depots who have narrow margins between each grouping to ensure an appropriate size group is used.
6	Compacting Depots, alongside baling Depots, provide unique services – and therefore value - to Recycle BC’s collection system. Compacting Depots are not receiving compensation for their unique service offering.	The cost study results showed that those depots who used compactors had the lowest weighted average cost per tonne; therefore, no differentiation rate was provided.
7	Recycle BC has not been forthcoming about its new timeline to work with Collector feedback, make necessary changes, and then present its updated budget to its Board of Directors.	In its presentation to collectors on September 26th, Recycle BC informed collectors that they could provide feedback on the draft rates until October 15. The same presentation informed collectors that the final incentive rates would be distributed via a rate change letter to all collectors by October 25.