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CONSULTATION 2017 SCHEDULE OF CONTRIBUTIONS Summary



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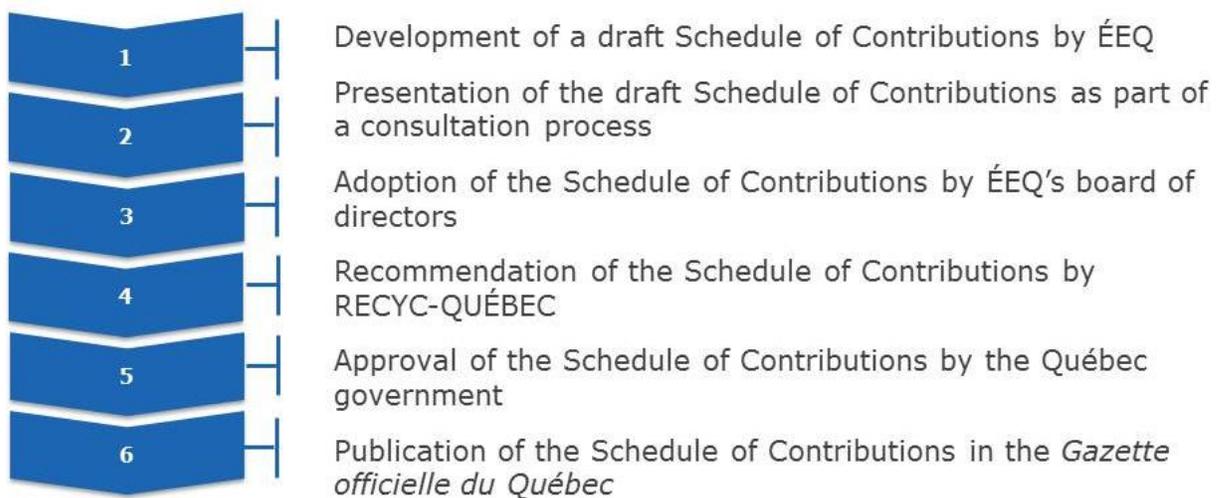
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CONTEXT

Éco Entreprises Québec (ÉEQ) is a private non-profit organization that is responsible for financing municipal collection, transport, sorting and conditioning services for containers, packaging and printed matter in Québec with a view to sustainable development.

ÉEQ represents over 3 400 businesses and organizations that market containers, packaging and printed matter in Québec. Under the *Environment Quality Act (EQA)*, these businesses and organizations are required to compensate 100% of the net eligible costs of municipal curbside recycling services.

In addition, the *EQA* stipulates that the Schedule of Contributions that governs the contributions is subject to consultation with targeted businesses and organizations. The consultation led by ÉEQ is focused on the rules for the application of the Schedule of Contributions, as well as on the contribution tables set out for each materials category. This official process aims to inform and consult the largest number of targeted businesses and organizations throughout the steps toward the adoption and entry in force of the Schedule of Contributions for a given reporting year.



For each Schedule of Contributions, the board of directors of ÉEQ adopts a draft Schedule of Contributions that is presented to businesses and organizations as part of a three-week consultation process. Following the consultation activities, ÉEQ assesses the comments it received and produces a report on the conclusions drawn as part of the consultation process. The Schedule of Contributions and report are then approved by the board of directors and submitted to the government of Québec.

This summary provides an overview of the main amendments to the contribution table and application rules (Schedule of Contributions) for the 2017 reporting year, as well as the table itself. The draft Schedule of Contributions is presented to the businesses subject to the compensation plan at the consultation meetings held on October 25 and 27, 2016.

A targeted business or organization must produce and submit to ÉEQ a report of the materials it marketed in Québec in order to determine the contribution it is required to pay. The amount of the contribution is obtained by multiplying the amount of each material (in kilograms) by the applicable rate, as indicated in the contributions table for the reporting year, and then adding these amounts.

THE YEAR IN REVIEW

MUNICIPAL CURBSIDE RECYCLING IN QUÉBEC

In 2015, over 776 000 tonnes (t) of materials were recovered through municipal curbside recycling in Québec—a slight decrease of 17 000 t (2.1%) since 2014. This decrease in weight is mainly due to the reduced weights of containers and packaging, as well as to the smaller quantities of certain printed materials and newspapers due to online migration.

In 2015, for the first time, the net municipal costs decreased by 1.1% as compared to the previous year. This represents an improvement relative to the annual 5% increases in past years (2011 to 2014).

ÉEQ therefore helps optimize the curbside recycling system to ensure a better cost/tonne of recovered materials ratio through several programs and initiatives, including the Best Practices Initiative for effective curbside recycling, to facilitate exchanges between municipal waste managers in a same region and share their successes and methods to optimize quotes and curbside recycling management.

Québec	2014	2015	Variation
Tonnes recovered	793 000	776 000	-2.1%
Net costs excluding taxes	\$148.6M	\$147.0M	-1.1%
Population with access to curbside recycling	8 130 000	8 260 000	1.6%
Kg per capita	98	94	-4.1%
Net cost per capita	\$18.28	\$17.80	-2.6%
\$/tonne recovered	\$187	\$189	1.1%
Tonnes recycled	730 400	714 700	-2.1%
\$/tonnes recycled	203 \$/t	206 \$/t	1,0%

* *The recycled tonnage is calculated from the tonnage recovered, on which was deducted the rejection rate published in the 2012 waste management report of RECYC-QUÉBEC.*

STUDY UPDATE

In the past year, the municipal waste characterization study was updated. The recovery rates per material drawn from the study, which was jointly conducted by ÉEQ and RECYC-QUÉBEC, are used to calculate the Schedule of Contributions. The results for 2015 were combined with those for 2012–2013 to determine the average recovery rates for 2013–2015. This new moving average approach fosters a certain degree of stability for the ÉEQ Schedule of Contributions rates in order to lessen the variation in recovery rates.

IMPLEMENTATION OF THE REPORTING OPTIMIZATION INITIATIVE

Launched in 2015, the reporting optimization initiative continued in 2016 with the rollout of several tools. Businesses completed a preliminary report dated May 1, 2016. Most affirmed that they

- valued the experience and intend to complete a preliminary report next year;
- would like to produce a report earlier (as early as January or February);
- would like to automatically receive a bill when the Schedule of Contributions is published.

The feasibility of these requests will be assessed for the next Schedule of Contributions.

In addition, a new edition of the *Materials Guide* was published online this summer. Practical and hands-on, the guide includes tips to fill out reports, ecodesign advice and information on markets and outlets for various materials.

Finally, new webinars and training documents on best reporting practices are now available online to support businesses.

MAIN AMENDMENTS TO THE SCHEDULE OF CONTRIBUTIONS

NET MUNICIPAL COSTS

To establish the Schedule of Contributions, ÉEQ must first estimate the upcoming municipal costs. For 2017, based on the average increase over the past three years, ÉEQ estimates that municipal costs (excluding taxes) will total approximately \$151.6M. This estimate was validated by KPMG-SECOR.

The deduction for materials that are not targeted is still 6.6% for the 2017 Schedule of Contributions, as set out in the Regulation on the compensation plan on December 30, 2015. The deduction represents over \$10M for the Schedule of Contributions.

In addition, the share of the costs allocated to the three designated materials categories is as follows.

Category	2015-2016 Schedule of Contributions	2017 Schedule of Contributions
Newspaper	8.7%	8.7%
Printed matter	19.4%	19.4%
Containers and packaging	71.9%	71.9%
ÉEQ total share	91.3%	91.3%

Finally, the deduction related to the application of the Performance and Efficiency (P&E) factor is estimated at 4% according to the trend of previous years, creating a deduction of approximately \$6M. ÉEQ's share of the costs that are eligible for compensation is estimated at \$141.1M, a **decrease of -1.4%** for the 2017 Schedule of Contributions as compared to 2016.

Cost	2016 Schedule of Contributions	2017 Schedule of Contributions
Net municipal costs	\$155.4M	\$151.6M
QST	\$7.4M	\$7.2M
Reported net municipal costs	\$162.8M	\$158.8M
Non-designated materials deduction	(\$10.7M)	(\$10.5M)
P&E factor deduction	(\$7.6M)	(\$5.9M)
Municipal management costs (8.55%)	\$12.4M	(\$12.2M)
Newspapers deduction	(\$13.6M)	(\$13.4M)
ÉEQ municipal compensation	\$143.1M	\$141.1M
Variation	+5.6%	-1.4%

EEQ FEES AND OTHER PROVISIONS

Other fees are added to the compensation costs to determine the total contribution paid by businesses.

ÉEQ's administration fees total \$3M for the 2017 Schedule of Contributions. The study and project fees are \$2.6M. ÉEQ's fees increased by \$200 000 (5%) as compared to last year's Schedule of Contributions and represent nearly 4% of the total contribution made by businesses. The other elements considered in these fees remain the same as for the 2016 Schedule of Contributions. In total, \$10.1M is added to the Schedule of Contributions, which represents a 2.5% increase.

Cost	2016 Schedule of Contributions	2017 Schedule of Contributions
ÉEQ fees	\$5.3M	\$5.6M
RECYC-QUÉBEC indemnity	\$2.7M	\$2.7M
Bad debt provision	\$3.0M	\$3.0M
Flat fees deduction	(\$1.2M)	(\$1.2M)
Other fees	\$9.9M	\$10.1M
Variation	-4.7%	+2.5%

Since the 2014 Schedule of Contributions, the broadening of the eligibility criteria for the flat fee options has enabled a higher number of small businesses to take advantage of the simplified reporting process. Given the level of the contributions, which are estimated at approximately \$1.2M, we deduct these amounts from the other costs before allocating the total costs to the companies that report and pay based on the materials they generate.

TOTAL COSTS

The total contribution considered in the formula to establish the Schedule of Contributions is \$151.3M, an overall increase of 1% as compared to 2016, despite the fact that the fund was used to stabilize the rates.

	2016 Schedule of Contributions	2017 Schedule of Contributions
ÉEQ municipal compensation	\$143.1M	\$141.1M
Other fees	\$9.9M	\$10.1M
Risk and rate stabilization fund	(\$3.2M)	0M
ÉEQ total contribution	\$149.8M	\$151.3M
Variation	+8.0%	+1.0%

LIMITATION OF THE RATE INCREASE

2015–2016 Schedule of Contributions

Following the last consultation, businesses raised concerns with regard to the significant increase in certain rates for the 2015–2016 Schedule of Contributions. Two measures were introduced to address these concerns:

1. Create a mechanism to limit rate increases to 50%.
2. Maintain the rates at the value presented at the consultation.

The first mechanism was applied to the 2015 Schedule of Contributions, and the amounts above the 50% threshold were reallocated pro rata to other materials in the same category. To these materials, the second mechanism was applied to maintain the rates at the value presented at the consultation.

2017 Schedule of Contributions

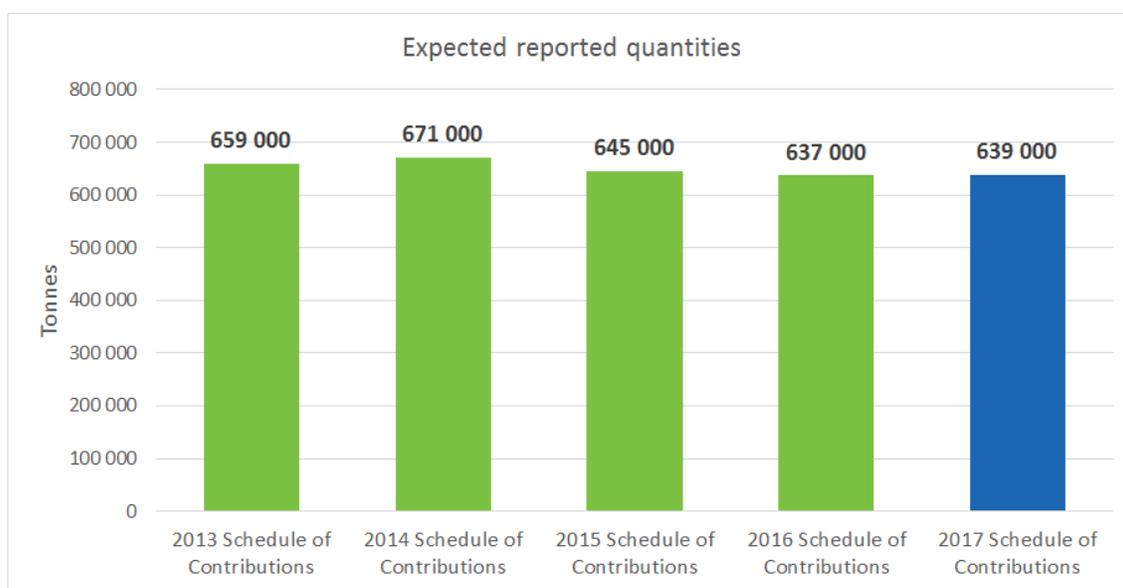
None of the rates in the 2017 Schedule of Contributions increased more than 50%, therefore no limitation measure was applied. The rate variations are presented in the following sections.

USE OF THE RISK AND RATE STABILIZATION FUND

The funds' policy stipulates that the risk and rate stabilization fund shall be between 2.5 and 12.0% of the amount of ÉEQ's municipal compensation. Because the fund is currently within this range, there is no need to provision an amount to this effect in the 2017 Schedule of Contributions.

EXPECTED REPORTED QUANTITIES

For the **2017 Schedule of Contributions**, the expected reported quantities total **639 000 t** as compared to 637 000 t for the 2016 Schedule of Contributions. After a decrease in reported quantities for the 2015 Schedule of Contributions, a certain degree of stabilization with regard to reporting is observed.



AVERAGE RATE

The average rate of the 2017 Schedule of Contributions is **\$238/t**, a slight **increase of 0.6%**.

	2016 Schedule of Contributions	2017 Schedule of Contributions
ÉEQ total contribution	\$149.8M	\$151.3M
Expected reported quantities	637 000 t	639 000 t
Average rate	\$236/t	\$238/t
Variation	+9.3%	+0.6%

Analyses of the impact on businesses' individual contributions indicate that over 50% of businesses will see a reduction in their 2017 contribution as compared to 2016.

FLAT FEES

While the eligibility criteria for flat fees remain the same, the contribution amounts are adjusted based on the annual increase in the average rate: 0.6% for the 2017 Schedule of Contributions.

Flat fee eligibility criteria		2016 Schedule of Contributions	2017 Schedule of Contributions
Based on tonnage	1 to 2.5 tonnes	\$415	\$420
	2.5 to 5 tonnes	\$885	\$890
	5 to 10 tonnes	\$1 765	\$1 775
	10 to 15 tonnes	\$2 945	\$2 965
Based on revenues	\$1M to \$2M	\$2 945	\$2 965

CONTRIBUTION TABLE

Material	2017 Schedule of Contributions (¢/kg)	Variation vs. 2016 Schedule of Contributions
Printed matter		
Newsprint inserts and circulars	18.172	4.2%
Catalogues and publications	25.024	-1.1%
Magazines	25.024	-1.1%
Telephone books	25.024	-1.1%
Paper for general use	25.024	-1.1%
Other printed matter	25.024	-1.1%
Containers and packaging		
Paperboard		
Corrugated cardboard	18.879	-1.9%
Kraft paper shopping bags	18.879	-1.9%
Kraft wrapping paper	18.879	-1.9%
Boxboard and other paper packaging	20.582	-0.8%
Gable-top containers	20.826	-1.7%
Paper laminants	28.693	8.1%
Aseptic containers	23.633	-0.3%

Material	2017 Schedule of Contributions (¢/kg)	Variation vs. 2016 Schedule of Contributions
Containers and packaging		
Plastic		
PET bottles	27.720	-1.1%
HDPE bottles	16.226	-0.8%
Plastic laminants	49.169	0.6%
HDPE and LDPE film	49.169	0.6%
HDPE and LDPE shopping bags and others	49.169	0.6%
Expanded polystyrene – food packaging	76.861	-2.7%
Expanded polystyrene – cushioning packaging	76.861	-2.7%
Non-expanded polystyrene	76.861	-2.7%
PET containers	27.720	-1.1%
Polylactic acid (PLA) and other degradable plastics	76.861	-2.7%
Other plastics, polymers and polyurethane	31.447	-0.5%
Aluminium		
Aluminium containers for food and beverages	14.127	9.0%
Other aluminium containers and packaging	14.127	9.0%
Steel		
Aerosol containers	16.094	2.9%
Other steel containers	16.094	2.9%
Glass		
Clear glass	18.805	2.3%
Coloured glass	18.882	2.3%

EXPLANATION OF THE RATE VARIATIONS

For the 2017 Schedule of Contributions, the rates vary between -2.7% and 9.0%.

Most of the rates are lower because the costs to be compensated are lower than they were in the 2016 Schedule of

Contributions. The few rate increases are attributable to the fact that certain rates presented at the consultation meetings for the 2016 Schedule of Contributions were maintained without increase when the Schedule of Contributions was adopted. These materials are paper laminants, steel aerosol containers, other steel containers and clear and coloured glass.

Rate variation	Number of materials
< 0%	19
0% to 3.99%	7
4% to 9%	4

Material	Explanation of variations of over 2%
Newsprint inserts and circulars	+ 4.2% Relative reduction in recovery rates
Paper laminants	+ 8.1% Withdrawal of the 2016 measure to maintain the rates at the level presented at the consultation meetings
Aluminium containers (beverages and others)	+ 9% Relative reduction in recovery rates Reduction in reported quantities
Steel containers (aerosol containers and others)	+ 2.9% Withdrawal of the 2016 measure to maintain the rates at the level presented at the consultation meetings
Clear glass Coloured glass	+ 2.3% Withdrawal of the 2016 measure to maintain the rates at the level presented at the consultation meetings

RULES

There were no changes to the rules for the 2017 Schedule of Contributions since adjustments were made last year as part of the reporting optimization initiative.

The only modifications that were made concern the transition from a double Schedule of Contributions (2015–2016) to a single Schedule of Contributions (2017).

Furthermore, to guide future discussions and directions, the “Clarification questions” section of the online report will be updated for the upcoming Schedule of Contributions. Questions pertaining to details on some of the targeted materials will be removed (e.g. bamboo and bagasse) and others will be added (e.g. PVC and PETG) to determine the proportions of these materials in containers and packaging.