



Reference: 211153

November ⁹⁰~~12~~, 2014

Scott Fraser, President and CEO
Encorp Pacific (Canada)
206 – 2250 Boundary Road
Burnaby, BC
V5M 3Z3

Dear Mr. Fraser:

Stewardship Plan Approval

Thank you for submitting the 5-year renewal of the Encorp Pacific (Canada) Return-It Stewardship Plan on December 1, 2013, and the subsequent revised and finalized document on May 30, 2014 in fulfillment of the requirement under section 4 of the Recycling Regulation.

I have completed my review of the submission and hereby approve the Encorp Pacific (Canada) Return-It Stewardship Plan. Please be advised that this approval applies only to materials or content contained in the plan that pertains to the requirements of section 5 of the Recycling Regulation.

Program Communication and Public Awareness

Ongoing communication and public awareness are important to a successful stewardship program. We expect you to strive to exceed and continuously improve on the targets in this area in your plan. Given the importance of public awareness, the Ministry is considering establishing a consumer awareness target for eventual incorporation into the Recycling Regulation. We will keep you apprised on the development of this initiative.

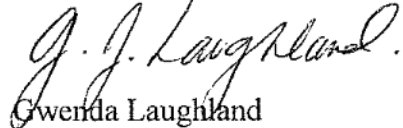
Third Party Independent Assurance for Non-financial Information in Annual Reports

Third party assurance for non-financial information in Annual Reports is required through Section 8(2)(h) of the Recycling Regulation. The assurance must be conducted in accordance with the procedure, "Third Party Assurance Requirements for Non-Financial Information in Annual Reports, Version 3", dated October 8, 2014 (enclosed). This document replaces "Third Party Assurance Requirements for Non-Financial Information in Annual Reports, Version 2", dated February 25, 2014. The schedule for implementing the procedure is outlined in Table 1 at the end of this letter.

.../2

I look forward to working with you to ensure the success of your program. If you have any questions about this approval, third party assurance requirements, or the implementation of your plan, please contact Louise LeBoutillier at (250) 356-5413 or Louise.LeBoutillier@gov.bc.ca.

Sincerely,



Gwenda Laughland
Director, Waste Prevention
Environmental Standards Branch

cc: Meegan Armstrong, Section Head, Industry Product Stewardship
Louise LeBoutillier, Compliance Officer, Waste Prevention

File: 50400 25 BEV - ENCORP

Table 1: Third Party Independent Assurance for Non-financial Information in Annual reports (modified October 2014)

Date from reporting year	Deadline for submission	Content
2014 and future years	Auditor's report including audit opinion due July 1 of the year following the reporting year	Reasonable level of assurance on: <ul style="list-style-type: none"> • Collection facilities¹ • Product sold and collected² • Stewardship plan targets in relation to Section 8(2)(b), (d) and (e) of the Recycling Regulation³ • Product management in accordance with the pollution prevention hierarchy⁴
<p>^[1] Whether the location of collection facilities, and any changes in the number and location of collection facilities from the previous report are fairly stated in the Annual Report in accordance with Section 8(2)(b), (d) and (e) of the Recycling Regulation</p> <p>^[2] Whether the description of total amounts of the producer's product sold and collected and, if applicable, the producer's recovery rate is fairly stated in the Annual Report in accordance with Section 8(2)(e) of the Recycling Regulation</p> <p>^[3] Whether the description of performance for the year in relation to targets in the approved stewardship plan under Section 8(2)(b), (d) and (e) of the recycling Regulation is fairly stated in the Annual Report</p> <p>^[4] Whether the description of how the recovered product was managed in accordance with the pollution prevention hierarchy under Section 8(2)(d) of the recycling Regulation is fairly stated in the Annual Report</p>		
<p>Auditor's reports including audit opinions are to be embedded in or attached to Annual Reports. Notifications of intention, as well as pre-audit plans, progress updates, reports and action plan statements, should be submitted to the Director, Waste Management, as separate documents in electronic or hard copy format. Third party assurance providers prepare the auditor's reports. Stewardship programs may prepare all other documents with input from their assurance provider. Notifications of intention, as well as the pre-audit plans, progress updates and action plan statements should be brief (for example, bullet format, 1 – 2 pages maximum).</p>		
<p>Ideally, audit opinions will not be qualified. To minimize or eliminate the potential for qualifications, stewardship programs must exercise due diligence, work closely with assurance providers to develop appropriate assurance criteria, provide their assurance providers with full and timely access to all relevant records (including obtaining records from contractors) and if necessary make revisions to the Annual Reports. Assurance statements should only include qualifications in exceptional circumstances and when such qualification can be justified. Even in these circumstances, audit opinions must include as few qualifications as possible.</p>		

ENCORP PACIFIC (CANADA)



STEWARDSHIP PLAN 2014 – 2018

Revised Plan – May 30, 2014

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Summary of Performance Targets

RECOVERY RATE	TARGET																																																
<ul style="list-style-type: none"> The requirement under the Recycling Regulation – Schedule 1, beverage containers is 75%. The weighted average recovery rate for containers registered within Encorp’s system for the last 5 years (2008 – 2012) has been 79%. Encorp will target an overall recovery rate of 82% by 2018 for the beverage containers included in the B.C. Recycling Regulation that are under Encorp’s Stewardship Plan. The chart below shows the targets by sku for each year 2014 - 2018 <table border="1" data-bbox="418 575 1084 905"> <thead> <tr> <th colspan="6">Recovery Rate Targets (%)</th> </tr> <tr> <th></th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Glass</td> <td>93.9%</td> <td>93.9%</td> <td>93.9%</td> <td>94.0%</td> <td>94.0%</td> </tr> <tr> <td>Plastic</td> <td>76.2%</td> <td>76.6%</td> <td>76.9%</td> <td>77.3%</td> <td>78.0%</td> </tr> <tr> <td>Aluminum</td> <td>84.1%</td> <td>84.3%</td> <td>84.5%</td> <td>84.6%</td> <td>85.0%</td> </tr> <tr> <td>Polycoat</td> <td>59.1%</td> <td>60.3%</td> <td>61.5%</td> <td>62.6%</td> <td>65.0%</td> </tr> <tr> <td>Other (other metals, bag-in-box and pouches)</td> <td>56.2%</td> <td>57.0%</td> <td>57.7%</td> <td>58.5%</td> <td>60.0%</td> </tr> <tr> <td>Total Recovery Rate (weighted)</td> <td>80.1%</td> <td>80.6%</td> <td>81.0%</td> <td>81.5%</td> <td>82.0%</td> </tr> </tbody> </table>	Recovery Rate Targets (%)							2014	2015	2016	2017	2018	Glass	93.9%	93.9%	93.9%	94.0%	94.0%	Plastic	76.2%	76.6%	76.9%	77.3%	78.0%	Aluminum	84.1%	84.3%	84.5%	84.6%	85.0%	Polycoat	59.1%	60.3%	61.5%	62.6%	65.0%	Other (other metals, bag-in-box and pouches)	56.2%	57.0%	57.7%	58.5%	60.0%	Total Recovery Rate (weighted)	80.1%	80.6%	81.0%	81.5%	82.0%	82%
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CONSUMER ACCESS	TARGET																																																
<ul style="list-style-type: none"> In major urban areas: as the population increases maintain the ratio of population to depots at current levels. Improve consumer access in Metro Vancouver through a combination of new depots and innovative collection methods including public spaces recycling. In smaller centres and rural areas: maintain the current number of depots but promote upgrades and relocations where needed. Continue to test innovative collection options. 	97% of BC’s population within the coverage area defined in the SABC accessibility standard																																																
CONSUMER AWARENESS	TARGET																																																
<ul style="list-style-type: none"> Maintain a net annual awareness of container types and beverage types which carry a deposit at or above current levels. Maintain a net annual awareness of locations to which containers can be returned at over 90%. 	Over 95% Over 90%																																																
CARBON FOOTPRINT	TARGET																																																
<ul style="list-style-type: none"> Refine greenhouse gas measurement methods and establish a baseline on which to rate future changes by 2016. 	Develop a measurement benchmark by 2016																																																
COOPERATION WITH OTHER STEWARDSHIP AGENCIES	TARGET																																																
<ul style="list-style-type: none"> Work with agents for other stewardship materials to ensure that depots continue to properly manage beverage containers while providing convenience for consumers by accepting a wider range of stewarded products for return. 	Provide consumer convenience																																																
DEPOT CAPABILITIES	TARGET																																																
<ul style="list-style-type: none"> Continue to develop and operate programs which enhance depot capabilities and efficiencies. 	Invest in R & D for enhanced depot capabilities																																																

Public Consultation

The Ministry of Environment has been explicit in its direction that the key component required of any stewardship plan submitted for its approval must be substantial public and stakeholder consultation. A further Ministry request is that the development of the consultation plan itself should have stakeholder input.

To assist in this process, an early draft of the plan was submitted to a joint meeting of Encorp's Board of Directors and its Advisory Committee. This joint group contains expertise from senior corporate management, marketing, local governments, recycling NGOs and social services.

The following plan was prepared to allow for ease of online stakeholder comments. In addition to online access, the plan was available for review at a series of public meetings held in 6 locations around B.C. There were two easily accessible public webinar sessions held. The time and place of these meetings and webinars were advertised in daily and community newspapers and placed on the Return-It™, RCBC, and SABC's websites along with links to the plan documents.

Following a review of the draft plan there was strong support, particularly from Encorp's Board members, that Encorp should set a high standard for consultation and should exceed the minimums required by the Ministry of Environment.

Following the direction received at this meeting Encorp management outlined a program of direct personal contact through public meetings, paid advertising, use of social media, web-based seminars and a variety of methods that made it easy for stakeholders to submit comments on the plan.

Input received during the public consultation can be found in Appendix 1. Input generally fell into three categories:

- Comments and questions related to products or programs that are not part of the Encorp Stewardship program or are more broadly public policy issues. Encorp has included these in the summary but we may not have responded to them because they are not part of our stewardship responsibilities or plan. In cases where we have responded it was to provide information or clarity.
- Issues requiring clarification of, or coming from, misinterpretation of plan content. In some instances the draft plan text was either unclear to, or misinterpreted by the respondent. In these cases we have provided a response to the input in the Appendix and in some cases adjusted the wording in the draft plan without a change in meaning.

- Areas where feedback resulted in changes to the plan itself. Specifically these changes are as follows:
 - Section 3 – The addition of detail regarding the scope of the plan and the containers covered by it.
 - Section 3 – Added the web hyperlink to the site page where individual brand names of included containers can be found.
 - Section 3b – Unit recovery rates – The target for glass containers have been changed from “above 90%” to “94% or better” and an additional explanation regarding the elimination of the “combination” category.
 - Section 3b – The addition of a chart showing the recovery rate targets by container type and additional notes for clarification.
 - Section 3c – Coverage Summary, a reference to where a list of depots can be found and a section on coverage in comparison to the SABC performance standard.
 - Section 4 – Additional detail regarding the measurement of consumer awareness levels and the list of the methods used.
 - Section 4 – Chart added – Consumer Awareness by Container Type.
 - Section 6 – Included further detail for the polycoat and “other” categories.
 - Section 6b – Expanded information and detail about reduction and redesign of container types.
 - Section 6d – The plan commits to a completion date for a GHG baseline.
 - Section 7a – Expanded information and detail about the physical capacity of depots.
 - Section 7a – Removed the section on Managerial and Operational Capacity.
 - Section 7c – The section on funding sources has been expanded and further clarified.
 - Section 7d – The section on mandatory return-to-retail has been removed from the plan.

Note:

- *The recycling regulation references Public Consultation in section 5 (1) (b)*
- *A summary of the public consultation feedback and responses have been added as Appendix 1*

Section 1. Introduction

Encorp Pacific (Canada) Beverage Container Stewardship Plan 2014-2018

This stewardship plan has been produced to meet the requirements of the BC Recycling Regulation which calls for submission of a revised stewardship plan on a regular basis.

The following plan was prepared to allow for ease of online stakeholder comments. In addition to online access, the plan was available for review at a series of public meetings held in 6 locations around B.C. There were two easily accessible public webinar sessions held. The time and place of these meetings and webinars were advertised in daily and community newspapers and placed on the Return-It™, RCBC, and SABC's websites along with links to the plan documents.

All stakeholder comments have been received and included, the plan will be submitted to the Ministry of Environment by December 31, 2013.

Regulatory Context

This stewardship plan has been produced to meet the requirements of Section 6 of the BC Recycling Regulation which calls for submission of a revised stewardship plan on a regular basis.

About Encorp Pacific (Canada)

Encorp Pacific (Canada), herein referred to as Encorp, was originally formed as Encorp Pacific Inc. in 1994 and then as an industry product stewardship agency in 1998 to fulfill the requirements of the Beverage Container Stewardship Program Regulation (BC Reg. 406/97-repealed) and the subsequent Recycling Regulation, Schedule 1, Beverage Container Product Category (BC Reg.449/2004). As of 2013, Encorp has been appointed by beverage brand owners as the product stewardship agency responsible for all non-alcohol beverage containers and all alcohol beverage containers except for aluminum beer cans and refillable beer bottles.

Governance

Encorp Pacific (Canada) is federally incorporated as a non-share capital corporation under Part II of the Canada Corporations Act. The corporation is exempt from income tax provided that strict Canada Revenue Agency rules are observed. This type of incorporation identifies owners as members and not shareholders and places restrictions on the use of operating surpluses.

The corporation is governed by a Board of Directors consisting of representatives of the retail and beverage industries as well as non-affiliated directors with relevant expertise. A list of current Board members is published in the corporation's annual report. This information plus more detail on how the corporation functions is available on the web at www.return-it.ca

Section 2. Program Principles

Since its inception, Encorp has operated under the following principles:

- a. Divert used products from landfill and incineration.
- b. Develop and operate a system which provides consumer-friendly and convenient return points throughout the Province.
- c. Manage the system in a cost-effective manner that has the lowest possible impact on consumer prices.
- d. Run a cost-based system in which each container type pays its own costs with no cross subsidization.
- e. Find useable end products which maximize the value of the recovered materials.
- f. Treat all brand owners equitably.
- g. Provide a high degree of transparency in all its operations.

Section 3. Program History

a. Chronology

- | | |
|-----------|---|
| 1970-1994 | In 1970 British Columbia became the first jurisdiction in North America to impose a deposit/refund system on soft drink cans and bottles. The system was entirely based on return-to-retail with deposits and refunds being managed by retailers and brandowners. |
| 1994 | Encorp Pacific Inc. was established by the major brandowners and retailers to develop and operate a common collection system for all brands, collect and reimburse deposits and to establish a network of depots to divert returns from the major grocers. |
| 1998 | The Beverage Container Stewardship Program regulation came into force which added all ready-to-drink beverages (except for milk and milk substitutes) to the deposit/refund requirements. Encorp Pacific (Canada) was established. |

- 2000 The Ministry of Environment approved a consolidated and amended stewardship plan incorporating polycoat containers.
- 2004 The Recycling Regulation came into effect.
- 2006 Encorp submitted an updated stewardship plan as required by the Recycling Regulation.
- 2007 In July 2007 the Ministry of Environment approved Encorp's stewardship plan.
- 2007 In November 2007, the Ministry of Environment approved an amended stewardship plan for Encorp which incorporated alcohol beverage containers previously covered by a separate stewardship plan produced by the BC Liquor Distribution Branch.
- 2012 Encorp received an approval of the current plan to "remain in good standing" which provides a one year extension to its stewardship plan with the proviso that an updated plan be submitted to the Ministry of Environment by December 31, 2013.

Program Scope

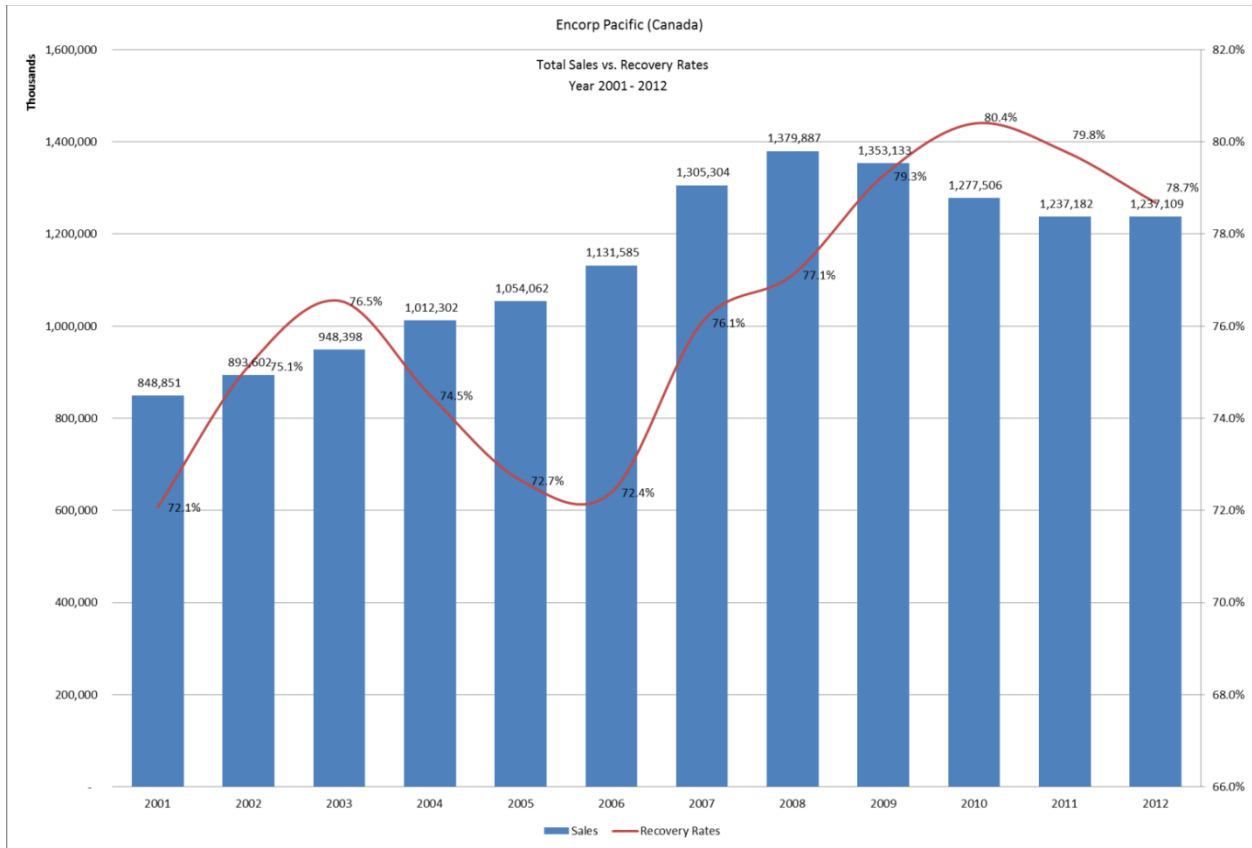
The Encorp Stewardship Plan covers all ready-to-drink beverage containers sold in British Columbia including soft drinks, juice, water, wine, coolers, spirits and non-refillable beer bottles. Refillable beer bottles and all beer cans are part of the Brewers Distributors Ltd. Stewardship Plan and are not part of the Encorp stewardship plan. Milk and milk substitute containers are exempt from the Beverage Container Schedule of the Recycling Regulation and they are included within the Printed Paper and Packaging schedule.

A full, and up-to-date, list of all containers covered by the Encorp plan can be found at: www.return-it.ca/registeredbrands

b. Sales and Recovery Growth

The following graph outlines the growth in the number of containers sold since 2001 for which Encorp has stewardship responsibilities. Changes in sales volumes can be noted as events described in the chronology occurred. The graph also shows the percentage of sold containers recovered and recycled with changes occurring in the years following events described in the chronology.

Overall Recovery Rates (see notes below)



Notes:

- Beverage alcohol containers entered the Encorp system in 2007.

Unit Recovery Rates by Category – 2012

The following table shows the major categories of beverage containers by container type, the percentage of total sales each type has and the recovery rate for each type.

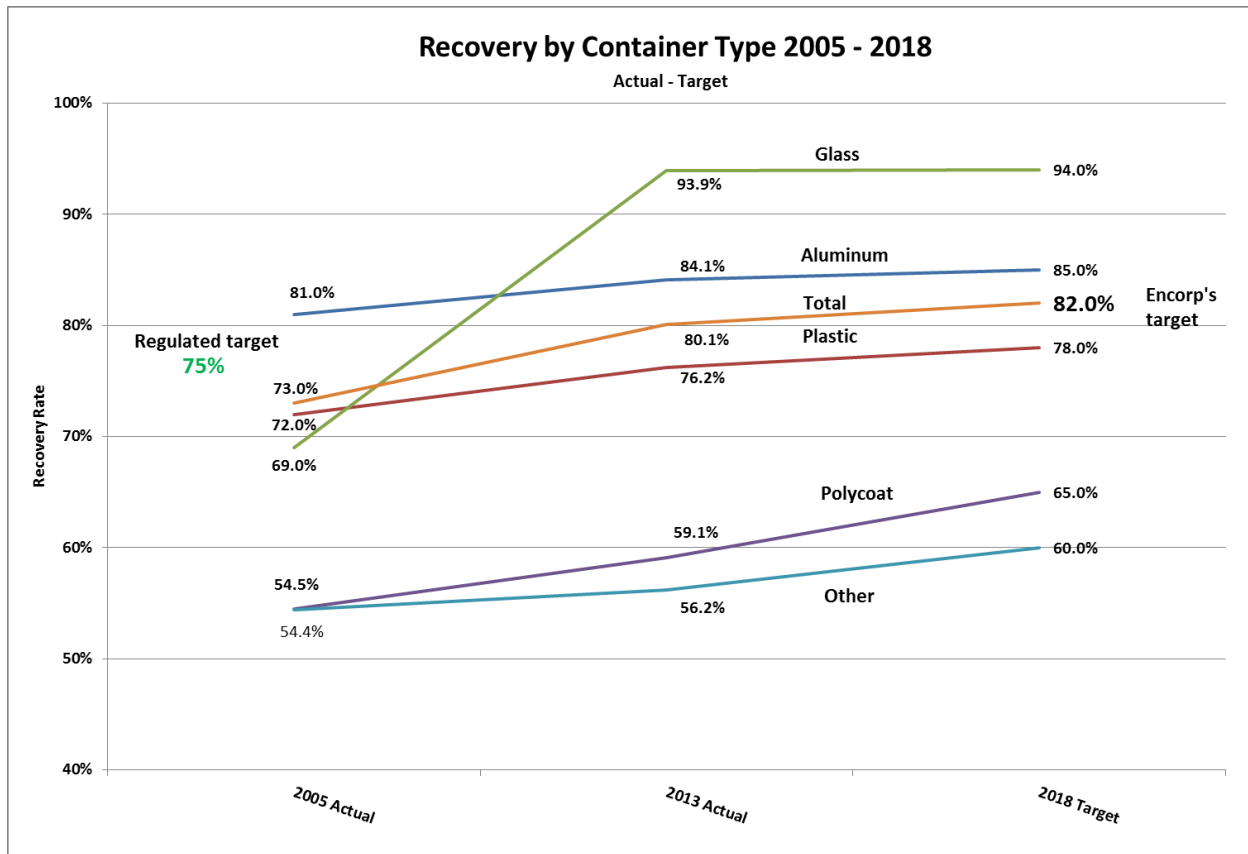
Container type	Percentage of total beverage unit sales (2012)	Recovery Rate (2012)	2014-2018 Performance Objective (Annual Average)
Glass	17%	94%	Maintain recovery rates at 94% or better
Plastic	36%	75%	Achieve recovery rate above 78%
Aluminum	36%	82%	Achieve recovery rates above 85%
Polycoat	10%	57%	Increase recovery rate to 65%
Other	1%	53%	Increase recovery rate to 60%

Overall recovery rate by units

78.7%

Performance Objective 2014-2018

Achieve an overall unit recovery rate of 82%



Note:

1. The performance objective for total recovery is a minimum of 75%. To reach this level for some container types will take longer than this five year plan, however Encorp continuously strives and searches for ways to reach this goal.
2. Encorp's previous stewardship plan listed a category for "combination" containers. The volume of this type of container is now insufficient to warrant tracking as a separate category and is now included in "other".

Weight Recovery by Commodity – 2012

In addition to unit recovery rates Encorp also calculates commodity weights. The weight of material recovered is the most common measure of recycling performance for product stewardship categories other than beverage containers. In 2012 the overall recovery rate for beverage containers by weight was **88.6%**

Commodity	Weight collected (Tonnes)	Recovery Rate	Weight uncollected (Est.Tonnes)	Percentage of weight uncollected
Glass	70,011	93%	5,525	7%
Plastic	10,884	78%	3,159	22%
Aluminum	5,026	82%	1,094	18%
Polycoat	1,933	64%	1,098	36%
Other	582	52%	544	48%
Total	88,436	89%	11,420	11%

Note: The Recycling Regulation references Unit Recovery Rates by Category in section 5 (a) (i)

c. Consumer Access to Collection Points

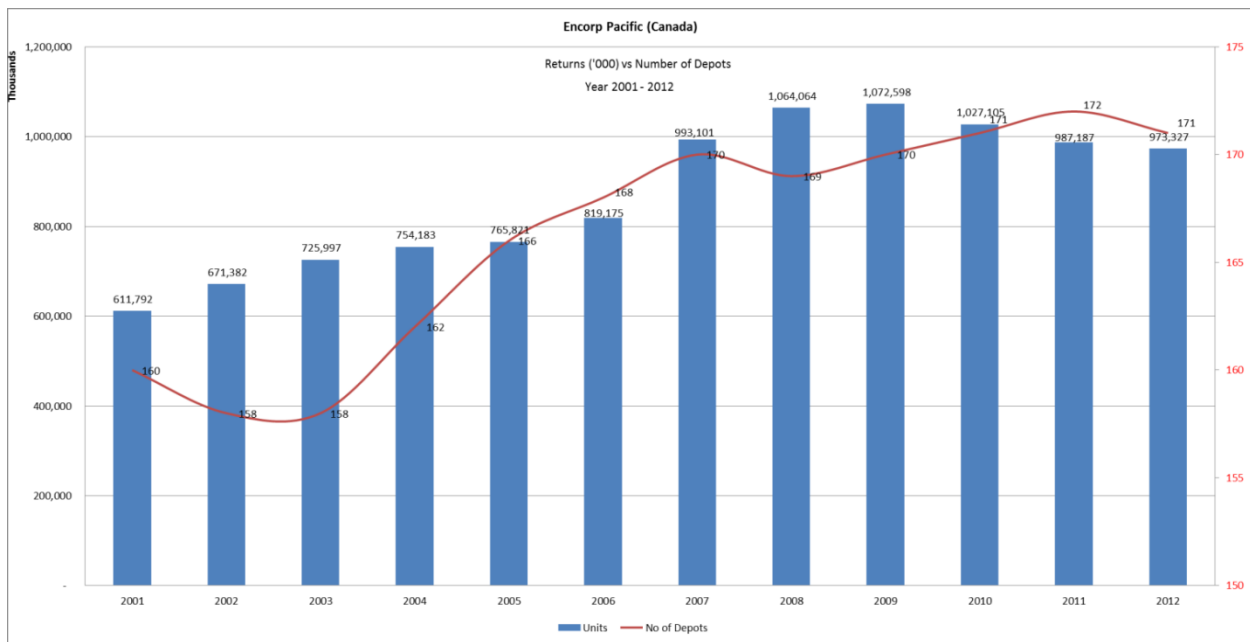
Coverage Summary

With 171 authorized Return-It™ depots, 360 major grocery stores, and, not to mention hundreds of small retailers who are required by regulation to accept containers, consumers have access to the most comprehensive network of return points of any stewardship plan operating in BC. At all these points consumers receive a full deposit refund for all Encorp stewarded containers. In addition, Encorp Return-It™ depots provide the backbone for most of the larger stewardship programs operating in the Province. Encorp continues to work collaboratively with other stewardship programs to improve coverage and consumer convenience.

The full list of Return-It™ Depot locations can be found at www.returnit.ca/locations

Depot Coverage

The following graph shows the growth in the number of Encorp authorized depots since 2000; with the 2012 count at 171, as well as the total number of containers collected and recycled by the system. As of December 2013 there are 172 depots.



Depot Coverage in Urban Areas

In the major urban areas of Metro Vancouver, Fraser Valley, Capital and Central Okanagan Regional Districts, the current population serviced by each depot ranges from 35,000 people in Metro Vancouver to 19,000 people per depot in the Fraser Valley with an average of 26,000 people per depot in these urban areas.

The Metro Vancouver ratio is skewed by the lack of depots in the City of Vancouver where there is one depot to service every 80,000 people; compared with the City of Richmond where there is one depot for every 25,000 people. It has been difficult for Encorp to obtain municipal support for depot placement from the City of Vancouver but recent discussions with city officials indicate that a more positive position is possible.

- **Performance Objective for 2014-2018** – Ensure that these Regional Districts receive the same or better level of access as their population grows by opening additional depots at a rate which will reduce the population depot ratio.

Depot Coverage in Smaller Communities and Rural Areas

In smaller centres and rural areas Encorp has established depot coverage based largely upon municipal boundaries and/or population concentrations. The key deciding factor in locating a depot is the volume of business required to sustain a profitable dedicated depot site. Once a depot is operational Encorp's efforts have focused on improving customer convenience and satisfaction with the depot and on improving depot efficiencies.

- **Performance Objective 2014-2018** – In smaller centres and rural areas Encorp will maintain the current number of depots but will assist in relocations or facility upgrades to provide an enhanced customer experience.

Note: The Recycling Regulation references Consumer access to Collection points in Section 5 (c) (iii)

Return-to-Retail

The unique and mandatory return-to-retail requirement of the Beverage Container Product Category, Schedule 1 (Section 6[2]) means that there are, potentially, thousands of return points for consumers. However, due to the greater convenience of depots which accept unlimited quantities of all deposit-bearing containers, the vast majority of containers are returned through the depot system. Despite the presumed convenience of return-to-retail, a declining share of containers, currently around 7%, are returned through the retail system. There are approximately 360 retailers from whom Encorp collects containers but there are a number of them which do not collect containers in sufficient volumes to justify service by Encorp transporters.

Performance Against Coverage Standard

The Stewardship Agencies of BC have proposed (October 2013) an accessibility standard for approved stewardship programs. Residents in rural communities with a population of 4,000 or more should have less than a forty five minute drive to a collection facility. For urban communities with a population of 4,000 or more, there should be less than a thirty minute drive to a collection facility. This standard would put 97 percent of the BC population within the coverage area of return locations. Encorp's current network of depots, mobile collectors, commercial collectors and return-to-retail locations exceed that standard. Nonetheless we continue to target areas of population growth or under-service areas as potential locations for new licensed depots.

More detailed information with regard to the Accessibility Standard can be found at www.bcstewards.com under the Action Plan tab.

Section 4. Consumer Awareness

Since 1998 Encorp has conducted regular, and extensive, consumer research to determine attitudes, motivators and habits. This research has been used to develop a multitude of consumer awareness programs designed to inform consumers about which containers are part of the system, deposit levels for containers, how and where to return them and what happens to the collected containers.

Further consumer research has tested the degree of awareness exhibited by BC consumers (those who consume these types of beverages) of the Return-It™ system and it has shown steady progress to the point where virtually all BC residents are aware of the system and the vast majority actively participate in one way or another. Few consumer products have attained the level of awareness achieved by the Return-It™ brand.

Awareness can be grouped into two broad categories:

1. Consumer awareness of types of beverages and/or containers which carry a refundable deposit:

Initial Awareness – 1999 – 42%

Average Net Annual Awareness – 2008-2012 – 99%

Performance Objective 2014-2018 – Maintain an average net annual awareness of over 95%

A2 - To the best of your knowledge, can the following types of containers be returned for a refund on deposit?

	Those who produce that container, awareness there is a deposit	Notes
Aluminum cans	98%	
Plastic bottles	77%	<i>water 85%, confusion with milk skews the results</i>
Glass bottles	75%	<i>non alcohol, non beverage skews results</i>
Drink boxes in individual or multiple serving sizes	80%	
Cartons	56%	<i>confusion with milk</i>
Sub total	77.2%	
Any	100%	<i>Among all respondents those who can name at least one type of beverage or container that can be returned for a deposit refund.</i>

Notes:

- a. The only container under 75% awareness level is Cartons. This is primarily due to consumers confusion with milk containers which do not carry a deposit and are not included under the Beverage Container Schedule.
- b. Encorp provides in each Annual Report the awareness levels of deposit bearing containers by SKU

2. Awareness of Locations to Return Beverage Containers (Depots and Retailers):

Initial Awareness – 1999 – 54%

Average Net Annual Awareness – 2008-2012 – 92%

Performance Objective 2014-2018 – Maintain an average net annual awareness of over 90%

Consumer awareness is measured annually by a major research firm which polls a sample size sufficient to give results with sufficient statistical validity that operational and marketing decisions can be made from the results. Generally the error factor is +/- 3.5% for studies conducted by researchers on Encorp's behalf.

Because awareness levels are now extremely high, by general marketing standards, Encorp has increasingly added to the scope of research to understand motivation

and behaviors related to recycling to better affect actual behavioral change in non-recyclers and low recyclers. Recent research in this area is summarized in our 2012 Annual Report. This information is collected annually at the same time as awareness data and used as input into marketing and operating plans. Results are reported annually and available in our public annual report.

Consumer Awareness and Recycling Participation Marketing Tools

Encorp employs a broad range of consumer awareness programs to ensure maximum provincial coverage while ensuring that specific target demographic groups are reached. These include, but are not limited to:

- Print advertisements
- Television advertisements
- Transit and outdoor advertising
- Digital & internet advertising
- Social media
- School programs
- Public space programs
- Festivals, events and trade shows
- Consumer contests
- Advertorial pieces
- Informational handouts
- In depot signage & consumer communications
- Dedicated informational websites

Note: The Recycling Regulation references Consumer Awareness in Section 5 (c) (iv)

Section 5. Management of Program Costs

Financing Model

Encorp's financial statements are independently audited annually by a national Chartered Accountant firm and published on its website as part of its annual report to the Ministry. The audited financial statements show the deposits charged for beverage containers and the container recycling fees (that are charged by the producer to the consumer) that are shown on the consumer sales receipt.

The independently audited statements provide financial transparency and accountability on the management of fees collected.

Encorp's general and administrative costs account for 4% to total revenues. Approximately 80% of the revenues were paid out for direct operating expenses which include handling fees, transportation and processing fees.

Encorp's Board of Directors, through strategic reviews and annual planning sessions, strive to ensure that the Company delivers a highly successful stewardship plan in a cost-effective and efficient manner. Costs for all services are compared to existing market rates on an annual basis.

The funds to pay for the costs of handling fees, transportation, processing, consumer education and administration of used beverage containers come from three sources:

1. Unredeemed Deposits (Unredeemed Deposits represent 19% of the funds Encorp receives) – The percentage recovery rate for each container type varies with most categories being returned at less than 100% of sales. The unredeemed deposit for each container type is used to pay the recovery costs of that specific type of container.
2. Commodity Values (Commodity Values represent 17% of the funds Encorp receives) – The sale of the material collected for each container type is also used to pay the recovery costs of that specific type of container.
3. Container Recycling Fees (Container Recycling Fees represent 64% of the funds Encorp receives) – Where the above two funding sources are insufficient to pay the recovery costs for a specific type of container a non-refundable fee is applied to the container. These fees are reviewed on an annual basis to ensure that they are sufficient to cover only the net costs of recycling that specific container type.

Note: Encorp maintains eighteen (18) different container types.

A fundamental principle for Encorp is a cost-based operation in which each container type covers its own expenses with no cross subsidization between container types. For example, collecting and recycling a glass container is significantly higher than an aluminum can based on its weight and its commodity value; therefore the container

recycling fee (CRF) for glass will be significantly higher than the CRF for an aluminum can.

Please refer to Appendix 2: CRF Table 2009 - 2013

To ensure this principal is met Encorp has, since its inception, employed a system of contract management to constantly test the market to ensure cost and operational efficiencies. Aside from administrative and quality control functions, Encorp contracts out all other operational aspects such as collection, transportation and processing. The single biggest category of expenses for Encorp, representing 59% of total operational costs, are the handling fees paid to Encorp-contracted depots to collect containers from consumers. Many of Encorp's depot training programs are designed to improve container management efficiencies.

For many contracts a Request for Proposal (RFP) is issued, for others Encorp utilizes independent financial studies to assess whether the best value is being obtained. In all cases the intent is to ensure that costs represent current fair market value. All costs are passed through to the relevant container type with no markup added.

Major costs are detailed in the independently audited annual reports which Encorp has produced, and made widely available to the public, since 2001.

Note: The Recycling Regulation references Management of Program Costs in Section 5 (c) (i) and 5 (c) (v)

Section 6. Management of Environmental Impacts

a. Management of Collected Materials

Over 97% of the materials collected by the Encorp system are processed into marketable commodities within North America.

Collected used beverage containers comprise four major material categories:

1. Aluminum

Collected cans are returned to a re-melt facility where they are turned into sheet stock from which new cans are made. It is estimated that 50% of every aluminum can on retailers' shelves has been recycled at least once. Aluminum is also the most valuable commodity collected by the system and is sent, by rail, to a re-melt facility in the U.S.A.

2. Plastic

Plastic bottles used for beverages are made from one of two resins, PET, the clear resin used for water or soft drinks and HDPE, the cloudy resin most often used for milk containers. These materials are sent to separate facilities in Vancouver and Calgary where they are washed and pelletized for further processing into new products such as new containers, strapping materials and fibres. A number of beverage manufacturers have introduced recycled content into their packaging.

3. Glass

Glass is sent to local facilities where it is crushed into small pieces called cullet. Dependent on location, this cullet is then shipped to facilities where it is made into fiberglass insulation, new bottles, sand blasting material and construction aggregates. The majority of Encorp's collected glass is sent to Seattle, where it is used in new bottles, or to Alberta where it is used to make fiberglass insulation.

4. Polycoat

Drink boxes and gable top containers are sold into scrap fibre markets which feed pulp mills. The valuable paper fibre which comprises the bulk of these containers is extracted and used to make cardboard boxes and tissue paper, the residual plastic and aluminum fraction is currently landfilled or otherwise disposed of. Current market demand for paper fibre is strongest in Asia and polycoat materials are being shipped to South Korea.

5. Other

Included in this category are foil pouches and plastic bladders from bag-in-box containers. The volume of these containers has been declining steadily and has reached a de minimus level, in total less than 1 percent of recovered materials and falling. Markets for the commodity are intermittent due to the low volume and materials are stockpiled awaiting sale. We regularly work with suppliers and processors to try to find viable methods of recycling this material.

b. Management in Accordance with the Pollution Prevention Hierarchy

Reduce and Redesign

Reduction in the size and weight of beverage containers has taken two forms:

1. Using a lighter weight material instead of a heavier weight material – such as using plastic or polycoat instead of glass.

- Many brands in the alcohol spirits category have switched from glass to PET containers.
2. Utilizing less material to make a container:
- Wine bottles used by major brands have decreased in weight from 500g to under 400g
 - Major water producers have reduced the amount of plastic used to make containers. Weighing just 9.16 grams the newest bottle contains 27 percent less plastic than its predecessor eco-shape bottle, which was introduced in 2007, and 60 percent less plastic than the original, pre-eco-shape PET bottle first introduced in 2000.

A further design change becoming more commonplace is the use of recycled content in plastic containers. Beverage producers are constantly testing new package materials and designs which may further reduce the volume and weight of containers.

Reduction of unused portions

The reduction of unused portions is not applicable to this product type.

Reuse

There are no refillable containers covered by the Encorp stewardship plan. Containers used for in-home or “u-vintner” wine production are not part of the Encorp system.

Recycle

The primary focus of the used beverage container system is to ensure that materials are recovered and recycled into new products as described in Section 6a.

c. Product Lifecycle Management

Containers for products for human consumption, beverage containers, are free of hazardous materials. As a result there are no environmental concerns with the downstream use of collected commodities. As noted in earlier sections, container designs and materials are under constant review by beverage producers.

Starting fiscal year 2014, Encorp will provide an annual independent assurance report on material management in accordance with the pollution prevention hierarchy under Section 8(2)(d) of the Recycling Regulation.

d. Greenhouse Gas Emissions

The collection and recycling of beverage containers is a contributor to greenhouse gas reduction. Encorp commenced measuring the actual reduction in GHG emissions generated by the recycling of beverage containers in 2008 with the following annual savings indicated:

- 2008 – 138,000 tonnes
- 2009 – 137,000 tonnes
- 2010 – 99,900 tonnes (restated in 2011)
- 2011 – 94,000 tonnes
- 2012 – 94,000 tonnes

The net amount of GHG reduction depends on the volume and type of containers collected and recycled. Details on methodology, and on variability factors, are published in the annual report. The methodologies used in the GHG Protocol are refined annually as there currently are not any global standards; primarily due to the fact that this kind of reporting is relatively new and history is unavailable. This could, potentially, result in the future easement of prior years' figures.

Calculating and measuring Encorp's environmental footprint is also a process still under development with only a few years' data as yet available. Further refinement of GHG measurement standards is required along with several more years of base data. From this work it will be possible to establish a more specific performance measurement.

Performance Objective 2014 – 2018

- Refine GHG measurement standards to ensure consistent reporting of the system's overall carbon footprint.
- Establish a base performance measure by which to rate future changes by the end of 2016.

Note: The Recycling Regulation references Management of Environmental Impacts in Section 5 (c) (vii)

Section 7. System Challenges

In the 5 year term of this Stewardship Plan, Encorp anticipates confronting a series of challenges.

a. Depot Capacity

The depot network was developed by Encorp as the primary means of collecting beverage containers from consumers. The volume of beverage container collection

covered by Encorp's stewardship plan provides the essential sustaining revenue stream which keeps the depot system financially viable, while other stewardship materials and agencies provide depots with additional income. In turn, the depots are critical to the successful delivery of the Encorp stewardship plan.

The space available to depots is limited by many factors including cost, municipal restrictions, transportation access, etc. Where depots are seen as an existing solution to be utilized for the benefit of other stewardship programs Encorp must work to ensure that the system continues to function efficiently for beverage containers while accommodating these other stewardship programs where feasible. Every Encorp depot collects at least one other stewardship program product. We have identified approximately 139 who currently collect two or more stewardship products, 105 depots take three or more products and 70 take five or more stewardship products. A spreadsheet of these depots and what they collect can be accessed through www.bcstewards.com under the Action Plan tab.

Performance Objective 2014-2018

- Encorp will continue to cooperate and participate, where feasible, with other stewardship programs in a manner that will ensure the continued ability of depots to successfully manage beverage containers while providing one drop convenience for consumers.

b. Commodity Markets

Markets for specific commodities have varied not only in price but also in processor demand. Overall, however, the system is aided by the fact that 99% of collected materials have well established markets. Encorp regularly explores alternative, including local, markets and processors in response to changing market conditions.

c. Funding Sources for the Deposit/Refund System

Until recent years Encorp's funding sources for operating the system were almost equally divided between commodity sales, unredeemed deposits and container recycling fees. The volatility of commodity markets and the steadily increasing recovery rate have resulted in container recycling fees becoming the primary source of revenue, now approximately 64% of the total in 2012. As recovery rates rise the marginal cost of recovering additional containers rises. Given, reduced unredeemed deposits and projected higher costs as recovery rates increase, container recycling fees (CRF) are vital to make the deposit refund system work; even if all containers are returned and commodity values decline, the system can still operate. Setting the right CRF, the only funding source under Encorp's direct control, is a financial balancing act that Encorp performs once a year to ensure that the system continues to be able to pay for itself.

Section 8. Dispute Resolution Process

To deal with issues which may arise between the corporation and its suppliers or partners, Encorp has in place a proactive and multi-layered process of consultation. Encorp has consultative groups and committees for its major suppliers of services; these groups include a Council of Depot Operators and an Advisory Committee which includes small brandowners, local governments and other interested parties.

All Return-It™ Depots have signed agreements with either automatic renewals or renewable terms. Any disputes would be resolved using normal commercial legal procedures.

Should disputes arise, senior management becomes directly engaged with assistance from outside parties as necessary. All necessary steps to resolve disputes amicably and acceptably are undertaken, including access to commercial arbitration if necessary.

Note: The Recycling Regulation references Dispute Resolution Process in Section 5 (c) (vi)

Appendix 1. Public Consultation

A summary of the schedule of public opportunities and the comments received and responses where applicable are included here.

Appendix 2. Container Recycling Fee Table

A spreadsheet of container recycling fees from 2008 through 2013 is provided for reference here.

Consultation timeframe - April 1, 2013 - July 2, 2013

Encorp's Stewardship Plan was prepared to allow for ease of stakeholder comments and input. In addition to online access, the plan was available for review at a series of public meetings held in 6 locations around B.C. The time and place of these meetings was advertised in newspapers and on the Return-It™, SABC, and RCBC websites.

Encorp management outlined a program of direct personal contact through public meetings, paid advertising, use of social media, web-based seminars and a variety of methods that made it easy for stakeholders to submit comments on the plan.

All comments listed in the summary document have been copied verbatim to accurately represent the breadth and variety of input and feedback from stakeholders. Some spelling errors and typos have been corrected for clarity. Comments and questions related to products or programs that are not part of the Encorp Stewardship program or are more broadly public policy issues have been included in the summary however we may not have responded to them because they are not part of our stewardship responsibilities or plan.

General Comments – Not recorded under a specific section:

Reference #	Comment Date	Sector	Question/Comment	Response
1.	Apr 15/13	General Public	<p>I went to the bottle depot today for the first time since I moved out of Alberta and I have to say I was highly disappointed. you have many commercials stating how important recycling is and I agree completely but with the way your bottle depots operate its no wonder why people don't recycle as much as they did in the past. the first thing</p> <p>I noticed when I went in there is that you have to sort everything yourself, take off all the lids etc. the second thing I highly disliked was that the lady informed me of no return funds on milk or ensures and then I watched her throw them all away into a GARBAGE, which by the way there was a lot of before I went in I had read on their labels that they ARE recyclable and should be taken for a deposit. If you want people to go back to recycling their cans 7 bottles instead of throwing them away I would HIGHLY suggest looking into the way ALBERTA handles their bottle deposit program and take major notes. It is ridiculous that someone who wants to recycle should have to pay more money to get to the depot than they make when they go in there and on top of it have to spend their time and energy standing there sorting through everything. in the end it's not worth it. The whole point of recycling is to help reduce the carbon footprint of our economy but with the time and gas it takes to go there and get very little money no ones going to want to do it. You should NOT have to pay a deposit on something you do not get back. and to have an environmental fee on top of the normal deposit is barbaric when us consumers have to do the work ourselves anyway.</p>	<p>The Stewardship Plan is designed to address the requirements of the Beverage Container Schedule of the Recycling Regulation which doesn't include milk containers. Since no deposit is paid on milk containers in British Columbia there is no deposit to give back to customers. However, we do recycle milk containers collected at Encorp depots. The plastic jugs and bottles are recycled within our plastic stream and the cartons and paper fibre containers are included in Encorp's fibre stream.</p>
2.	Apr 16/13	Government	Thanks for local bottle depots.	

Reference #	Comment Date	Sector	Question/Comment	Response
3.	Apr 17/13	NGO	I was surprised with the limitations of the product life cycle plan. Plastic pollution is treated as an externality in the life-cycle. In these coming year Encorp must take responsibility to help address pollution because 80 % of debris in the marine environment start on land. Encorp must take leadership to address this growing problem	The Stewardship Plan addresses the variety of different materials identified within the Beverage Container Schedule of BC's Recycling Regulation. The regulated products include more than just plastics. Three out of every four plastic containers are recovered, and recycling plastic within Encorp's system produces 87% energy savings via use of recycled inputs for manufacturing of plastics.
4.	Apr 17/13	Government	I think that Encorp needs to get more involve in reducing litter. If you don't step up to address this problem, who will?	Encorp has several programs that focus on making recycling convenient in outdoor spaces as an alternative to littering. Paying to install container return bins on streets in the City of Vancouver and in provincial parks are two examples.
5.	Apr 25/13	Service Provider	I attended the Encorp Pacific public consultation meeting on April 23, 2013 in Kelowna. Encorp's plan for the next five years was well explained, and staff answered questions to my satisfaction. I applaud Encorp Pacific in achieving a nearly 79% recovery rate for regulated containers in BC. A comment that I have is that the plan to move to an 82% recovery rate, though laudable, sounds very expensive to me, relative to the benefit to the environment. The environmental benefit of moving this 3% higher is difficult to quantify in my view, but the costs to get to that level will certainly place additional financial burdens on BC residents that pay for the system. Perhaps this requirement needs more reflection? All in all I support the Encorp Pacific (Canada) Stewardship Plan as presented.	Encorp feels that achieving the 82% recovery rate target will be both challenging and rewarding and will fall within attainable and acceptable costs while substantially increasing the number of containers recycled each year. A 2% increase in the recovery rate will equate to approximately 26 million containers that are not landfilled.
6.	May 16/13	General Public	Can Ink Catridge be recycled	Ink cartridges are an example of something that are not part of the Encorp Stewardship Plan. But retailers and manufacturers do offer recycling options. For a full list of places to recycle ink cartridges, visit the Recyclepedia www.rcbc.ca .
7.	May 24/13	NGO	Hey I think Encorp should take more responsibility for plastic pollution in BC. Especially with tsunami debris about to hit the coast!	The Stewardship Plan addresses materials identified in the Beverage Container Schedule of BC's Recycling Regulation which are produced in or imported into British Columbia and sold in BC. This does not include foreign marine waste. Nonetheless, we have provided support for initiatives that seek to address this issue, including the Plastic Shores pilot project and the Artist Response Team, who provide environmental education in elementary schools across BC.

Reference #	Comment Date	Sector	Question/Comment	Response
8.	June 28/13	BCBDA	The BC Bottle Depot Association (BCBDA) submits the following comments in regards to the Encorp Used Beverage Container Stewardship Plan and Renewal 2014-2018	
8 a)		BCBDA	<p><u>Summary of Performance Objectives - Recovery Rates</u> 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.</p>	<p>Despite BC and Alberta having different deposit rates, data collected from both Encorp and ABCRC indicate few significant differences in recovery rates for comparable containers.</p> <p>Also, many stakeholders have differing opinions with regard to deposit levels; Depots, Brand Owners, Consumers among others. All cite varying unsubstantiated evidence on both sides of the argument. A change in the regulation, which would be a decision by the government, is needed to result in a change in deposit levels. The Ministry of Environment has recently conducted a consultation with regard to this matter and concluded no change in deposit levels is necessary at this time.</p>
8 b)		BCBDA	<p><u>Milk and Milk Substitute Containers</u> 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.</p>	<p>The Stewardship Plan was designed to address the requirements of the Beverage Container Schedule of the Recycling Regulation, which doesn’t include milk containers.</p> <p>To reference the beverage schedule (Schedule 1) under the Recycling Regulation you can visit http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/449_2004</p>
			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 Multimaterial BC 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.	On behalf of Encorp, Ipsos Reid, Vision Critical and other research companies have conducted a number of consumer surveys. These surveys found that a significant majority of consumers would prefer the convenience of curbside collection than the inclusion of a deposit system for their milk containers.

Reference #	Comment Date	Sector	Question/Comment	Response
8 c)		BCBDA	Why has there not been a public review / consultation of the voluntary milk program?	The milk program is currently voluntary, it is not regulated and therefore no public review or consultation is required. The Printed Paper and Packaging regulation due to be implemented in May 2014 will include milk products along with a wide variety of other materials. This program is not an Encorp stewardship program it will be run by MMBC. www.multimaterialbc.ca
8 d)		BCBDA	<p><u>Consumer Access</u> 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.</p>	Encorp supports the accessibility standard that was recently developed by the Stewardship Agencies of BC (SABC). Meeting the SABC standard ensures that a minimum of 97 percent of British Columbians will have access to a container return facility. Encorp already exceeds this standard, but as the provincial or regional populations grow or move we identify new opportunities and needs. In the specific example given, the depot was offered a contract and it was the depot operator's decision not to re-sign the contract.
8 e)		BCBDA	<p><u>Consumer Awareness</u> 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.</p>	

Reference #	Comment Date	Sector	Question/Comment	Response
8 f)		BCBDA	<u>Carbon Footprint</u> Encorp could significantly reduce its program carbon footprint by allowing the densification of containers within depots before transport with the exception of glass.	Encorp continually looks for ways to improve operations both economically and environmentally including the use of densification.
8 g)		BCBDA	Cooperation with Other Stewardship Agencies	
8 h)		BCBDA	<u>Depot Capabilities</u> 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.	
8 i)		BCBDA	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.	Despite beverage sales slowing down, there are still many unrecovered containers to be collected by depots. Upgraded depots have increased their collections at a faster rate than depots that have not upgraded, which we believe is because they make the consumer experience smoother and simpler. Encorp also has financial incentives to encourage upgrades that make sense for individual depot operations.
8 j)		BCBDA	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.	Recommendations for the siting of new depots are driven to a great extent by population growth in specific areas that are not close or convenient to an existing depot. An example would be significant new neighbourhoods in areas of Metro Vancouver south of the Fraser. This respondent noted earlier the need for consumer accessibility to depots and here notes that there are also business interests that must be considered. Both are part of any discussion about new depot locations.

Reference #	Comment Date	Sector	Question/Comment	Response
8 k)		BCBDA	<p>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 of 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.</p>	<p>Encorp does have minimum operating standards for depots that it licenses, including a minimum footprint that is required to deliver operational requirements and meet consumer experience expectations. We also have voluntary programs, such as 3 and 5 Star, that have proven effective in motivating depots to upgrade their facilities. Depots that have participated in that program have grown at a faster rate than those that have not. Encorp also takes responsibility for certain costs required to run existing and any additional depots, as they determine required, based on reaching recovery targets. These costs include additional transportation requirements, the provision of Point of Return systems (where applicable), consumer awareness materials, and administrative support, all paid for by Encorp. We evaluate on an ongoing basis whether these additional expenses are contributing to increased consumer participation in recycling.</p> <p>Compared to other small businesses, Encorp authorized depots are among the most successful and least susceptible to financial failure.</p>
8 l)		BCBDA	<p>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.</p>	<p>Depot expansions are seldom requested solely to accommodate beverage containers, and such expansions are done voluntarily by depot operators based on programs proposed to them. Typically depots have added more material streams which require space and handling. The requirement is to ensure beverage containers will still be handled efficiently without transferring the costs of additional programs to Encorp.</p>
8 m)		BCBDA	<p>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.</p>	<p>Any Printed Paper and Packaging program activities are unrelated to Encorp's Stewardship Plan. PPP is not an Encorp stewardship program; it is run by Multi-Material British Columbia (MMBC). Participation in that system will be an independent decision by a depot operator based on whatever financial and contractual offer is made by MMBC.</p>

Reference #	Comment Date	Sector	Question/Comment	Response
8 n)		BCBDA	<u>Public Consultation</u> 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.	We offered two webinars and advertised all consultation opportunities to the public using various media.
8 o)		BCBDA	<u>Section 1 Introduction-Governance</u> 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 issues 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.	Encorp's agreements are with independently owned and operated depots and not with the BCBDA.
8 p)		BCBDA	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.	Currently the appointed Encorp Advisory Committee has Depot representation. The current representatives provide a better fit and more practical involvement with the committee's terms of reference than the BCBDA.
8 q)		BCBDA	<u>Section 2 Program Principals</u> 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.	Because every container type pays for its own collection and recycling costs, some brandowners pay significantly more for their container management.
8 r)		BCBDA	<u>Section 3 Program History</u> <u>b) Sales and Recovery Growth</u> 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.	A system that charges and refunds deposits based on units will always need to measure those units. As for assessing the impact of materials diverted from landfill or other disposal, weight is a significant factor to consider.

CONTAINER RECYCLING FEE TABLE

APPENDIX 2

Container Type	Size	Deposit Rate	1-Feb-09	1-Oct-09	28-Feb-11	1-Feb-12	Feb-1-2013 ⁽¹⁾
Aluminum	0-1 L	5.0 cents	1.0 cents	2.0 cents	2.0 cents	1.0 cents	1.0 cents
Plastic	0 - 500 ml	5.0 cents	4.0 cents	4.0 cents	3.0 cents	3.0 cents	3.0 cents
Plastic	500 - 1L	5.0 cents	4.0 cents	4.0 cents	3.0 cents	3.0 cents	3.0 cents
Plastic	> 1L	20.0 cents	3.0 cents	5.0 cents	6.0 cents	6.0 cents	6.0 cents
Polystyrene			4.0 cents	4.0 cents	3.0 cents	3.0 cents	3.0 cents
Glass	0 - 500 ml	5.0 cents	7.0 cents	10.0 cents	12.0 cents	12.0 cents	12.0 cents
Glass	500 - 1L	5.0 cents	7.0 cents	10.0 cents	12.0 cents	12.0 cents	12.0 cents
Glass	> 1L	20.0 cents	7.0 cents	10.0 cents	15.0 cents	20.0 cents	25.0 cents
Bi-Metal	0 - 500 ml	5.0 cents	No CRF	No CRF	3.0 cents	6.0 cents	6.0 cents
Bi-Metal	500 - 1L	5.0 cents	No CRF	No CRF	3.0 cents	6.0 cents	6.0 cents
Bi-Metal	> 1L	20.0 cents	No CRF	No CRF	No CRF	No CRF	No CRF
Bag-in-Box	> 1L	20.0 cents	No CRF	No CRF	No CRF	No CRF	No CRF
Drink Boxes up to 500 ml	0 - 500 ml	5.0 cents	No CRF	No CRF	2.0 cents	2.0 cents	2.0 cents
Drink Boxes 501 ml - 1L	500 - 1L	5.0 cents	4.0 cents	4.0 cents	6.0 cents	7.0 cents	7.0 cents
Drink Boxes > 1L	> 1L	20.0 cents					
Gable Top up to 500 ml	0 - 500 ml	5.0 cents	No CRF	No CRF	No CRF	No CRF	No CRF
Gable Top 501 ml - 1L	500 - 1L	5.0 cents	No CRF	No CRF	No CRF	No CRF	No CRF
Gable Top > 1L	> 1L	20.0 cents	No CRF	No CRF	3.0 cents	6.0 cents	6.0 cents
Drink Pouches	0-1 L	5.0 cents	No CRF	No CRF	No CRF	No CRF	No CRF
Glass Wine & Spirits ≤ 1L	0-1 L	10.0 cents	12.0 cents	14.0 cents	15.0 cents	15.0 cents	15.0 cents
Glass Wine & Spirits > 1L	> 1L	20.0 cents	14.0 cents	16.0 cents	19.0 cents	22.0 cents	23.0 cents
Non-Refillable Beer, Cider, Cooler Glass ≤ 1L	0-1 L	10.0 cents	8.0 cents	10.0 cents	11.0 cents	11.0 cents	11.0 cents
Non-Refillable Beer, Cider, Cooler Glass > 1L	> 1L	20.0 cents	8.0 cents	10.0 cents	11.0 cents	11.0 cents	11.0 cents
Liquor Plastic ≤ 1L	0-1 L	10.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents	4.0 cents
Liquor Plastic > 1L	> 1L	20.0 cents	7.0 cents	8.0 cents	9.0 cents	10.0 cents	10.0 cents
Liquor Bag-in-Box	> 1L	20.0 cents	No CRF	No CRF	No CRF	No CRF	No CRF

(1) LDB CRF change effective April 1, 2013