

# CLEAN **START** GREEN FUTURE



2003 ANNUAL REPORT



**BRITISH COLUMBIA USED OIL MANAGEMENT ASSOCIATION**

2003

- 2 Letter from the Minister of Water, Land & Air Protection
- 3 Our Mission
- 4 New Start to Used Oil Recycling – Report from BCUOMA Chair and Executive Director
- 6 Communicating the B.C. Used Oil Message
- 8 Auditors' Report on Schedule of Used Oil Materials Collected
- 9 Auditors' Report to the Members
- 10 Financial Statements
- 14 Notes to the Financial Statements
- 16 Acknowledgement
- 17 Corporate Information

**TABLE OF CONTENTS**

**ANNUAL GENERAL MEETING**

Tuesday, May 11, 2004  
Garden View Room  
Best Western Richmond  
Hotel & Conference Centre  
7551 Westminster Highway  
Richmond, British Columbia,  
Canada

saw the **START** of **important changes**  
in how British Columbia  
recycles Used Oil.

We launched



BCUOMA

## Letter from the Minister



On behalf of Premier Gordon Campbell, I would like to take this opportunity to congratulate the British Columbia Used Oil Management Association for its successful beginning as steward of the province's oil recycling program and thank the membership for its dedication and commitment to our environment.

In less than a year, this industry-developed stewardship program has significantly decreased the amount of used oil, oil filters, lubricants and containers that otherwise would have gone into our landfills and water ways. By providing consumers with a convenient and economical way to dispose of and recycle these products and containers, BCUOMA is leading the industry's efforts to provide for the health of our environment, our citizens and our wildlife.

I am particularly pleased to see BCUOMA has not only embraced the program but has expanded it by requiring collectors and processors to engage an independent, qualified third party professional to conduct environmental audits of their operations. It is this type of industry-driven innovation that will ensure the program remains viable, provides long term economic opportunities and protects our environment.

In just five months, BCUOMA has kept over 17 million litres of used oil, 1.75 million filters and nearly 265,000 kilograms of plastic containers out of our landfills and waterways. You should be proud – and encouraged – by those numbers.

Looking ahead, I see more successes as BCUOMA moves into its first full year of operation. The partnership between your organization and the Government of British Columbia has been rewarding and positive. I wish you continued success.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Barisoff".

Bill Barisoff

Minister of Water, Land and Air Protection



## Our Mission

The mission of the British Columbia Used Oil Management Association (BCUOMA) is to manage, on behalf of brand-owners, a cost-effective and environmentally sustainable program for the collection and recycling of used oil, used oil filters and used plastic oil containers. The program will meet the regulatory requirements of British Columbia's Ministry of Water, Land and Air Protection.

BCUOMA, a not-for-profit Association, operates under the

*Post-Consumer Residual Stewardship*

*Program Regulation* and is managed on a day-to-day basis by its Executive Director who reports to a Board of Directors.

The program manages the Environmental Handling Charge (EHC) fund collection from brand-owners and Return Incentive (RI) and Infrastructure Development Incentive (IDI) payments to registered Collectors and Processors to fulfill its mandate. It ensures that a fair distribution of the

costs associated with the collection and recycling of the three used oil waste streams are tied to the point of sale (POS) for the consumer/generator, rather than on the material return.

Only those end uses providing landfill diversion and environmentally-sound recovery/reuse options are supported by BCUOMA's program incentives. Such uses as road oiling, land filling and used oil furnaces are not acceptable end uses under

the BCUOMA program.

The program is intended to enhance collection of used oil related materials in those markets not adequately serviced without negatively affecting collection and servicing those markets that are presently well serviced.



Richard Voyer & Patricia Wallace,  
July 21, 2003, New Westminster, B.C.



## New Start to Used Oil Recycling

**For more than ten years**, British Columbians were limited to how they disposed of used oil materials. While used oil went back to retailers, there were limited and often expensive options for recycling used oil filters and used plastic oil containers.

A high volume of these items were improperly discarded in the garbage, resulting in serious environmental concerns, including a potential risk from the residual oil.

In the late 1990's the Canadian Petroleum Products Institute (CPPI) approached the provincial government requesting the province amend its 1992 *Return*

*Of Used Lubricating Oil Regulation*. Instead of making retailers of lubricating oil solely responsible for taking it back, the industry requested that the responsibility be placed on the brand-owners and the program be expanded to include oil filters and plastic oil containers.

On January 24, 2003, the former British Columbia Minister of Water, Land & Air Protection, the Honourable Joyce Murray announced the amendment of the *Post-Consumer Residual Stewardship Program Regulation*. The amendment required brand-owners of oil, filters and plastic oil containers to submit a stewardship program plan to the Ministry within 60 days, and implement the approved stewardship program within 6 months.

Minister Murray officially launched the program on July 21, 2003. At that time over 400 return collection facilities were already in place for the do-it-yourselfers. There was also a network of registered Collectors to pick up used oil materials from over 4,000 generators in the province, including return collection

facilities. BCUOMA's stewardship program required there be a minimum of 100 return collection facilities in place by the end of December 2003. BCUOMA recognizes that there still are some areas of the province under-served by return collection facilities and efforts continue to have sites established in these areas.

The stewardship program has some features that make it unique among other industry stewardship programs in British Columbia. Firstly, the Board of Directors includes some non-industry members, including a

representative from the public at large, a local government representative and a non-voting member appointed by the Minister of Water, Land & Air Protection.

Secondly, BCUOMA has arranged with the Alberta Used Oil Management Association (AUOMA) to share contracted staff for administrative and financial duties of program delivery.

There is a significant advantage to BCUOMA in its startup phase to have experienced financial and administration

staff dealing with the challenges of program implementation. This cooperation has economic advantages including lower ongoing operational and administrative costs since a number of the brand-owners and registered Collectors and Processors are the same in both provinces.

Thirdly, sharing contracted staff among all four western provinces for the brand-owner auditing function results in a lower overall cost but just as importantly, many of the brand-owners sell their products in each of the provinces and therefore only have to deal with one controller and one auditor instead of four.



Ron Driedger, July 21, 2003,  
New Westminster, B.C.



Fourthly, BCUOMA requires that one of the conditions of registration as a Collector or Processor is that the applicant has to engage an independent third party qualified professional to conduct an environmental audit of their operations. The third party then has to write a Letter of Regulatory Compliance to confirm whether or not the applicant is in compliance with the requirements of the particular legislation and regulations that govern the province or state within which they operate. There is a further requirement that this environmental audit and Letter of Regulatory Compliance be conducted annually. BCUOMA will not pay Return Incentives (RIs) to registered Collectors who are not in compliance with Ministry and Federal environmental requirements.

Lastly, each of the provinces involved in used oil material recycling share a common web site, [www.usedoilrecycling.com](http://www.usedoilrecycling.com), where information on each of the programs is posted and regularly updated, including quarterly updates on used oil materials collected by zone and month.

The four main objectives of the BCUOMA program, as outlined in the three-year Business Plan are:

1. Accountability to Brand-Owners;
2. Optimal Recovery Rates;
3. Informed and Participating End-Users; and
4. Environmentally Responsible Management of Used Oil Materials

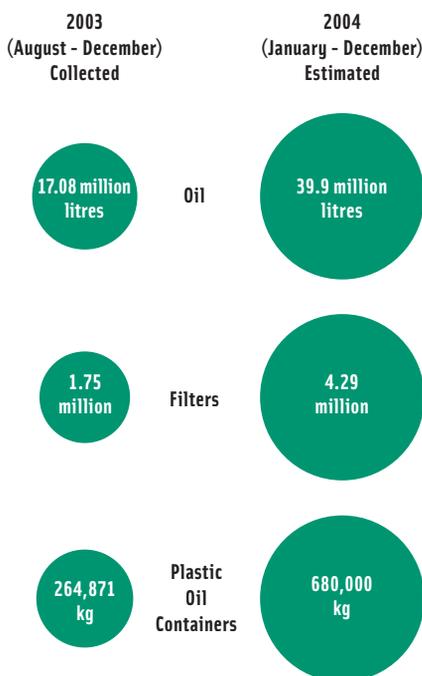


Richard Voyer, July 21, 2003, New Westminster, B.C.

Within each of these four objectives there are a number of goals and some key performance measures that will track the success of the BCUOMA program. As part of the annual Business Plan review cycle there will be a Program Review. Included in this Program Review will be twice yearly meetings with Collectors and Processors to solicit and consider their input for program change.

While the exact recovery rates for used oil, used oil filters and used plastic oil containers were not known prior to program implementation, the projected recovery rates for oil filters and oil containers for 2004 will be significantly higher than prior to July 2003. For the first five months of program operation, 17.08 million litres of used oil, 1.75 million filters and 264,871 kg of plastic oil containers were collected. For the used oil collected in 2003, 9.0 million litres went to re-refining while the remaining went to approved energy recovery uses. For 2004 it is estimated that 39.9 million litres of used oil, 4.29 million used oil filters and 680,000 kg of plastic oil containers will be collected and recycled.

We at BCUOMA are encouraged with the progress made in the first partial year of operation and look forward to improving on these results in the years ahead.



Richard N. Voyer  
Chair, BCUOMA

Ronald J. Driedger  
Executive Director, BCUOMA

## Communicating the BC Used Oil Message

2003 saw the start of important changes in how British Columbia collects and recycles used oil materials.

The year began with the news conference on January 24th. The former Minister of Water, Land & Air Protection, the Honourable Joyce Murray announced the province's lubricating oil recycling program was being expanded to include used oil filters and used plastic oil containers with the program managed by the British Columbia Used Oil Management Association (BCUOMA).

With an implementation date just months away, the BCUOMA Board of Directors moved quickly and on March 24th officially announced the appointment of Ron Driedger, P.Eng. as Executive Director. Ron has thirty years of experience with

the British Columbia government in developing and implementing many successful post-consumer stewardship programs.

The months that followed involved much work including communicating with brand-

owners, existing and potential collection facilities, and the important collection/transporter and processor network. A newsletter to collection facilities, a Point of Sale flyer to customers and a unique calling card were distributed announcing the important

changes in BC's used oil recycling program.

A toll free telephone number, **1-866-322-8662 (3BC-UOMA)** was established to respond to information requests for local used oil material collection facilities.

The RI Zone map of the province was finalized, and along with other important information, was placed on **www.usedoilrecycling.com**, the website shared by the western Canadian used oil recycling programs and Ontario.

Mr. Oil Drop, the friendly face of used oil recycling in western Canada, stepped out from the new BCUOMA display unit to meet the people first at the annual conference of the Recycling Council of British Columbia in June.

The big day came on a sunny Monday, July 21st in New Westminster, when Minister Murray officially launched the new British Columbia industry-led used oil stewardship program. Also on hand at Westminster Quay for the event were BCUOMA members, brand-owners, collector/transporter and processor representatives, the media and, of course, Mr. Oil Drop. A news release was distributed to all media throughout the province, and an ad announcing the change appeared in all BC weekly newspapers reaching several million readers.

Following the launch and over the next five months of 2003, work continued in communicating with key stakeholders through the August 2003 newsletter, meetings and attendance at key conferences such as the Solid Waste Association of North America's May Symposium and the Union of BC Municipalities' September conference. Articles explaining the start



BCUOMA's new display



Auditors' Report on Schedule of Used Oil Materials Collected December 31, 2003

**To British Columbia Used Oil Management Association**

We have audited the schedule of used oil materials collected as reported by British Columbia Used Oil Management Association for the period ended December 31, 2003, calculated as disclosed in note 1 to the schedule. This information is the responsibility of the management of the Association. Our responsibility is to express an opinion on this information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the information. An audit also includes assessing the significant estimates made by management, and evaluating the overall presentation of the financial information.

In our opinion, this schedule fairly presents, in all material respects, the used oil materials collected as reported by British Columbia Used Oil Management Association for the period ended December 31, 2003.

Chartered Accountants

Vancouver, British Columbia

**Current period volumes  
July 1, 2003 to December 31, 2003**

Used oil	17,084,490 litres
Used oil filters	1,750,521 filters
Used oil containers	264,871 kilograms

*See accompanying note to schedule.*

**1 Basis of presentation**

**Volume measurement and measurement uncertainty**

Volumes of oil and oil containers and weight of filters collected are based on actual measurements taken by the Collector/Transporters of these materials and verified by Generators and Processors.

Volumes of filters collected are calculated based on the number of full 205 litre drums as reported by Collector/Transporters and verified by Generators and Processors, multiplied by management's best estimate of the number of filters less than or equal to 203 millimetres in length and the number of filters greater than 203 millimetres in length in each full drum. In management's best estimate, there are, on average, 115 filters less than or equal to 203 millimetres in length and 15 filters greater than 203 millimetres in length in each full drum. Management's estimates and assumptions affect the reported filter volumes during the reporting period. Actual results could differ from these estimates.

Richard N. Voyer | Director

Natalie Zigarlick | Director

# Auditors' Report

**March 24, 2004**

**To the Members of British Columbia Used Oil Management Association**

We have audited the balance sheet of British Columbia Used Oil Management Association as at December 31, 2003 and the statements of revenue and expenditures, changes in net assets and cash flows for the 9½-month period then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2003 and the results of its operations and its cash flows for the 9½-month period then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants  
Vancouver, British Columbia



# Balance Sheet

As at December 31, 2003

	\$
<b>Assets</b>	
<b>Current assets</b>	
Cash	990,666
Accounts receivable	1,095,277
Prepaid expenses	5,267
	<hr/>
	2,091,210
<b>Property and equipment</b> (note 4)	20,790
	<hr/>
	2,112,000
<b>Liabilities</b>	
<b>Current liabilities</b>	
Return incentives payable	1,129,108
Accounts payable and accrued liabilities	112,094
	<hr/>
	1,241,202
<b>Commitments</b> (note 6)	
<b>Net Assets</b>	
<b>Invested in property and equipment</b>	20,790
<b>Unrestricted</b>	850,008
	<hr/>
	870,798
	<hr/>
	2,112,000

See accompanying notes to the financial statements.

Approved by the Board of Directors



Richard N. Voyer | Director



Natalie Zigarlick | Director



## Statement of Changes in Net Assets

For the 9½-month period ended December 31, 2003

	Invested in property and equipment	Unrestricted	Total
	\$	\$	\$
<b>Balance – Beginning of period</b>	-	-	-
Excess (deficiency) of revenue over expenditures	(6,123)	876,921	870,798
Investment in property and equipment	26,913	(26,913)	-
<b>Balance – End of period</b>	20,790	850,008	870,798

See accompanying notes to the financial statements.

# Statement of Revenue and Expenditures

For the 9½-month period ended December 31, 2003

\$

## Revenue

Environmental handling charges	4,653,167
Registration fees	23,000
Investment income	10,304
	<hr/>
	4,686,471
	<hr/>

## Expenditures

Program costs	
Return incentives	3,077,625
Communications and public relations	173,420
Consulting	71,906
Management and administration contracts	27,422
Compliance reviews	24,420
Professional fees	23,001
	<hr/>
	3,397,794
	<hr/>

Administrative costs	
Management and administration contracts	205,550
Professional fees	122,641
Office and general expenses	63,721
Board expenses	11,056
Rent	8,788
Amortization	6,123
	<hr/>
	417,879
	<hr/>
	3,815,673
	<hr/>
<b>Excess of revenue over expenditures</b>	<b>870,798</b>
	<hr/>

See accompanying notes to the financial statements.

# Statement of Cash Flows

For the 9½-month period ended December 31, 2003

\$

**Cash provided by** (used in)

## Operating activities

Environmental handling charges	3,591,553
Other income	9,351
	<u>3,600,904</u>

## Program activities

Return incentives	(1,948,517)
Other program activities	(227,348)
Administration	(407,460)
	<u>(2,583,325)</u>
	1,017,579

## Investing activities

Purchase of property and equipment	<u>(26,913)</u>
------------------------------------	-----------------

## Cash – End of period

990,666

## Supplementary information

Interest received	<u>-</u>
Interest paid	<u>-</u>

See accompanying notes to the financial statements.



### 1 Authority and purpose

The British Columbia Used Oil Management Association (the "Association") was incorporated under the Society Act of the Province of British Columbia on March 18, 2003. It was formed to establish and administer a waste minimization and recycling program under the Post-Consumer Residual Stewardship Program Regulation, B.C. Reg. 111/97. As a not-for-profit organization, no provision for corporate income taxes has been provided in these financial statements, pursuant to Section 149(1)(l) of the Income Tax Act.

The Association commenced active operations effective July 1, 2003.

### 2 Significant accounting policies

The Association bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

#### a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting year. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to return incentives payable and environmental handling charges receivable.

#### b) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line basis over the estimated useful lives, as follows:

Furniture and fixtures	5 years
Computer equipment	3 years

#### c) Revenue recognition

Environmental handling charge revenue is recognized when the lubricating oil material is sold by a registrant.

The one-time membership fees are recorded as registration revenue when the participating company joins the Association.

#### d) Return incentives

Return incentives expenditures are recorded when the lubricating oil material is collected by a registered collector.

### 3 Credit line facility

The Association has a \$1,000,000 operating line of credit arrangement. Interest is charged at the bank's prime lending rate. A general security agreement and a general assignment of accounts receivable have been provided as collateral for these advances. At December 31, 2003, there was no amount drawn on the facility.



#### 4 Property and equipment

	Cost	Accumulated amortization	Net
	\$	\$	\$
Furniture and fixtures	3,492	525	2,967
Computer equipment	23,421	5,598	17,823
	<u>26,913</u>	<u>6,123</u>	<u>20,790</u>

#### 5 Financial instruments

The fair values of financial instruments including cash, accounts receivable, return incentives payable and accounts payable and accrued liabilities as reported on the balance sheet, approximate their carrying value due to their short-term maturities.

The Association is exposed to credit risk through its accounts receivable. The risk is minimized due to the large registrant base.

#### 6 Commitments

Under the terms of financial services and use agreements, the Association is charged a fee for provision of financial administration services of various staff to August 2006. In addition, under the terms of a service agreement expiring March 2006, the Association is charged a monthly rate for provision of professional and technical services. The estimated minimum annual payments required under these agreements are as follows:

	\$
2004	315,000
2005	315,000
2006	168,750
	<u>798,750</u>

# Acknowledgments

## Thank You

On behalf of the British Columbia Used Oil Management Association, we want to personally express our appreciation to the following individuals for their support and commitment to this industry-led stewardship program.

Mr. Bill Levy, then Vice-President of CPPI, Chair of the interim Board, and his Board spent over a year consulting with the province and other stakeholders developing the draft stewardship program. The Executive Director of the Alberta Used Oil Management Association (AUOMA), Dennis Hambleton and its Chair, David Dingle provided considerable assistance to BCUOMA in the formative stages of program development.



Richard N. Voyer  
Chair, BCUOMA



Ronald J. Driedger  
Executive Director, BCUOMA



left to right: Richard Voyer, Patricia Wallace, David Schick, Ted Stoner, Natalie Zigarlick, Ron Driedger  
missing: Grant Brimacombe, Christine Houghton, Rod Rosenfelt

# Corporate Information

## Board of Directors

**Richard Voyer**, Chair and Director  
Husky Energy Inc.

**Garnet Brimacombe**  
Mr. Lube

**Christine Houghton**  
Water, Land & Air Protection  
(non-voting member)

**Glen Parker**  
Chevron Canada Limited  
(Director until February 2, 2004)

**David Schick**  
Chevron Canada Limited  
(Director since February 2, 2004)

**Rod Rosenfelt**  
Baldwin Filters

**Ted Stoner**  
Canadian Petroleum Products Institute (CPPI)

**Patricia Wallace**  
Union of BC Municipalities

**Natalie Zigarlick**  
Recycling Council of British Columbia (RCBC)

## Audit Committee

**David Schick**

**Ted Stoner**

**Natalie Zigarlick**

## Legal Counsel

Davis & Company  
Barristers & Solicitors

## Auditors

PricewaterhouseCoopers LLP

## BCUOMA offices

### Executive Office

**Ron Driedger**, P.Eng.  
Executive Director  
Suite #125, 21 – 46030 Yale Road  
Chilliwack, BC V2P 8E6  
Tel: 604.703.1990  
Fax: 604.703.1998  
Info Line: 1.866.322.8662 (3BC.UOMA)  
Website: [www.usedoilrecycling.com](http://www.usedoilrecycling.com)

### Administrative Office

Suite #1050, Scotia 1, Scotia Place  
10060 Jasper Avenue  
Edmonton, AB T5J 3R8  
Tel: 1.866.254.0555 (toll free)  
Fax: 780.414.1519





**British Columbia Used Oil Management Association**

Suite 125, 21-46030 Yale Road

Chilliwack, British Columbia V2P 8E6

T 604.703.1990

F 604.703.1998

Info 1.866.322.8662

[www.usedoilrecycling.com](http://www.usedoilrecycling.com)