

bomb

BEVERAGE CONTAINER MANAGEMENT BOARD

ANNUAL REPORT 2003





Vision Statement– The protection of Alberta’s environment by minimizing the presence of beverage containers in the waste stream.

Photo Credit: Bruce Edwards, The Journal



Cover Picture

Our cover features Melanie Ozdoba of Edmonton who is an active fund raiser for the Parkinson's Society of Alberta. In 2003, Melanie collected \$2,101 through neighbourhood bottle drives and pledges for her participation in the Parkinson's Society's Superwalk.

Mission Statement— The Beverage Container Management Board will work in partnership with Albertans to oversee a leading, innovative, accessible, and cost effective beverage container management system throughout Alberta.



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2003

Letter to the Minister

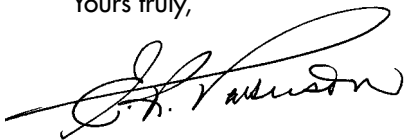
June 30, 2004

Honourable Lorne Taylor
Minister of Alberta Environment
Government of Alberta
423 Legislature Building
Edmonton, Alberta T5K 2B6

Dear Minister Taylor:

On behalf of the Board of Directors of the Beverage Container Management Board, I am pleased to be able to present our Annual Report for the fiscal year ending December 31, 2003 in accordance with Section 5 of the Beverage Container Recycling Regulation (Alta. Reg. 101/97).

Yours truly,

A handwritten signature in black ink, appearing to read "E.R. Patterson", written in a cursive style.

E.R. (Ernie) Patterson

Chairman

Beverage Container Management Board

About The Beverage Container Management Board

The Beverage Container Management Board (BCMB) was incorporated under the Societies Act on October 9, 1997.

The BCMB was established as a management board under the Beverage Container Recycling Regulation pursuant to Section 168 of the Environment Protection and Enhancement Act on December 1, 1997.

By Order in Council 355/201 dated August 2001, the Beverage Container Recycling Regulation was extended for five years to expire October 31, 2006.



The BCMB operates in accordance with the above, as well as the following bylaws set by the Board:

- Beverage Container Management Board Administrative Bylaw
- Beverage Container Management Board Fee Bylaw
- Beverage Container Management Board Administrative Bylaw

The Beverage Container Management Board is a partnership of beverage manufacturers, depot operators, environmental organizations, municipalities, the public and the Alberta Government. This unique alliance is responsible for the collection and recycling of beverage containers

“The BCMB’s efforts are judged against its key business goals including the ability to maximize the recovery of regulated beverage containers...”

throughout Alberta within policy parameters set out by the Minister of Alberta Environment.

The twelve member Board of Directors, composed of members from beverage manufacturers, depot operators and the public, has the following responsibilities:

- Setting criteria for the system.
- Conducting depot and retail inspections.
- Registering new beverage containers.
- Issuing operating permits for container depots.
- Approving collection system agents.
- Maintaining a system of appeals.



Depot operators and beverage manufacturers fund the administrative costs of the BCMB through a levy based upon the returns of beverage containers.

The BCMB’s efforts are judged against its key business goals including the following:

- Ability to maximize the recovery of regulated beverage containers.
- The BCMB’s accountability for the beverage container management system.
- Efforts to improve the level of public satisfaction.
- Efforts to improve the effectiveness of the system.
- Ability to minimize the impact of beverage containers on the environment.

Board of Directors

Membership on the Beverage Container Management Board (BCMB) is set forth under the Societies Act. The Board includes representation from a cross section of stakeholders including beverage manufacturers, bottle depot operators, hotel and liquor store operators, municipal governments, provincial government, non-government environmental organizations and the public. Board members each sit for three year terms.

Public

Ernie Patterson
Alberta Urban Municipalities Association and
Alberta Association of Municipal Districts and
Counties

Patrick Kane
Alberta Environment

Myles Kitagawa
Toxics/Waste Avoidance Caucus of
Alberta Environmental Network

Judy Roschlaub
Public Appointee

Manufacturers

Greg D'Avignon
Alberta Beer Container Corporation

Derek Brown
Alberta Beverage Council

Alain Maisonneuve (2 months)
Alberta Gaming and Liquor Commission

John Nixon (2 months)
Alberta Soft Drink Council

Fran Spennath (10 months)
Alberta Gaming and Liquor Commission

Janice Harrington (10 months)
Alberta Soft Drink Council

Depots

Timothy Mastel-Marr
Bottle Depot Industry

Dave Custer (8 months)
Bottle Depot Industry

Farid Remtulla
Bottle Depot Industry

Rob Macintosh (4 months)
Bottle Depot Industry

Michael Mazepa
Alberta Hotel & Lodging Association and
Alberta Liquor Store Association

Chairman's Report

Since 1997, the Beverage Container Management Board (BCMB) has worked to ensure that Albertans have access to a cost-effective recycling system for all registered empty ready-to-serve beverage containers except milk. The stakeholders, consisting of the public, industry and government, have focused on the primary goal of maximizing the return rate of empty beverage containers at the lowest possible cost to Alberta consumers.

The success of the system is reflected by the continual annual increase in the number of containers returned for recycling or reuse. The number of containers recovered by the system in 2003 increased 3.2% to almost 1.28 billion.

Putting this into perspective, this works out to over 400 containers returned per Albertan in 2003! Overall, more than eight out of every ten containers sold in Alberta were returned for either reuse or recycled into other valuable products. This means that approximately 90,000 metric tonnes (or 180,000 cubic metres) of beverage containers were diverted from landfill.

In 2003, the BCMB undertook a series of focus groups throughout Alberta in order to ascertain what could be done to increase recycling rates in the province. This effort, combined with the work

carried out in cooperation with the Alberta Beverage Container Recycling Corporation and the Alberta Bottle Depot Association helped focus the \$1,000,000 promotional campaign that was funded by Alberta's non-beer manufacturers and saw advertisements placed on television, in newspapers and on public transit vehicles.

The major marketing focus continues to be on those containers with the lowest return rates.

Support for the system continues to be strong in the province with 94% of Albertans reporting that they regularly participate in the system.

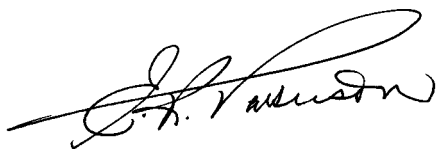
The two judicial reviews brought forward by the Alberta Bottle Depot Association (ABDA) and the Western Brewers Association (WBA) were heard by the Court of Queen's Bench in May 2003. The Court gave the BCMB clear direction relative to setting new handling commissions and the Board worked on developing a new policy relative to the setting of handling commissions that was approved. The development of handling commissions based on the newly established policy will be ongoing during 2004.

“The number of containers recovered by the system in 2003 increased 3.2% to almost 1.28 billion.”

I would like to thank the public, the Department of Alberta Environment, the BCMB Board of Directors and the staff as well as the Boards and staff of the Alberta Bottle Depot Association, the Alberta Beverage Container Recycling Corporation and the Alberta Beer Container Corporation for working with the BCMB to strengthen Alberta’s beverage container recycling system.

I also want to thank the Government of Alberta and the Minister of Alberta Environment for establishing the BCMB through legislation and regulation to operate one of the world’s most comprehensive beverage container recycling systems.

On behalf of the Board of Directors of the Beverage Container Management Board, I am pleased to present our 2003 Annual Report.



E.R. (Ernie) Patterson

Chairman

Beverage Container Management Board



Managing Director's Report

The marketing and tracking studies carried out by the Alberta Beverage Container Recycling Corporation in conjunction with the Alberta Bottle Depot Association and the Beverage Container Management Board, continue to indicate that 94% of Albertan's regularly participate in Alberta's beverage container recycling program.

In 2003, returns of almost 1.28 billion beverage containers representing 35 million new containers or a 2.8% increase over 2002, equated to a return rate of 80.70%. Particularly satisfying was the increase in numbers of returned plastic and polycoat containers which have been the major focus of marketing efforts over the past three years.

Of Alberta's 214 depots, 200 were visited by students hired by the Recycling Council of Alberta during the summer of 2003 as part of the BCMB's Mystery Shopper Program. The 2003 results surpassed those of 2002 with 169, or 84.5% of the depots, being within 4% of the required amount as compared to 154 last year. The program will be undertaken again in 2004.

In 2003, a new program, the Policy to Promote Excellence – Depot Review was undertaken as part of the depot permit renewal system. The policy scores depots on service, parking lot/depot access, cleanliness/maintenance, signage, refund compliance and quality control. Depending on the score attained, the depots received varying lengths of permit renewals. In 2003, 89 of the 96 depots visited, or almost 93%, scored more than 81% to get the maximum five year renewal. Depot owners worked willingly with the BCMB staff to correct the listed deficiencies.

In addition to the ninety six universal depot renewals, one new depot was permitted, one depot was not permitted (the decision was appealed), nineteen depot permits were transferred and one depot location was amended. Two hundred and twenty six visits were made by BCMB staff to universal and Class "D" Beer depots during the year.

The depot permit that was appealed, involved the denial of the BCMB for a second bottle depot in Edson. The BCMB's decision to deny the

“Particularly satisfying was the increase in numbers of returned plastic and polycoat containers which have been the major focus of marketing efforts over the past three years.”

application was unanimously accepted by the three person Appeal Committee who stated that the decision was consistent with the Act, Regulation, bylaws, policies and guidelines of the BCMB.

In 2003, 3,656 new beverage containers were registered into the system. Of these, 2,989 or 82% were alcoholic beverages.

The BCMB carried out forty-four retail inspections throughout the province. Although there was minimal non-compliance regarding beverage container registration, distributors and/or manufacturers were contacted and made aware of Alberta's requirements when non-compliance was discovered. Throughout 2003, forty-four such notifications were processed.

After attempting to site a new depot in Calgary in November 2002, the BCMB found the depot siting policy established in 2000 too restrictive to allow the issuance of a new permit. This led to the formation of a Board Committee to review and modify the criteria which was taken to interested parties for comment early in 2004. These changes

will lead to the tendering of two new depots for Calgary in 2004.

The BCMB web site received approximately 340,000 hits from 12,000 visitors viewing 30,000 pages in 2003. These figures were about 10% greater than the previous year and are an indication of interest in information and materials posted on the site.

I would like to thank the staff for their excellent performance during the year and the Board of Directors for their continuing support of the staff and the system.



Bob Saari, P.Eng.
Managing Director

2003 Highlights

2003 SALES & RETURN RATES – product by product

Material	Total Units Sold	Sales (%)	Total Units Recovered	Recovered (%)	Return Rates (%)
Aluminum Soft Drink	472,890,730	29.94	382,628,256	30.02	80.91
Plastic	286,995,794	18.17	200,508,457	15.73	69.86
Glass	117,775,657	7.46	96,660,007	7.58	82.07
Glass Import Beer	44,093,244	2.79	39,331,320	3.09	89.20
Polycoat	147,189,977	9.32	81,759,434	6.41	55.54
Bi-Metal	5,277,104	0.33	3,069,936	0.24	58.17
Aluminum Beer	342,390,276	21.68	311,410,164	24.43	90.95
Glass Alberta Beer	162,854,616	10.31	159,207,840	12.49	97.76
TOTAL	1,579,467,398	100%	1,274,575,414	100%	80.70

Return Rates in 2003

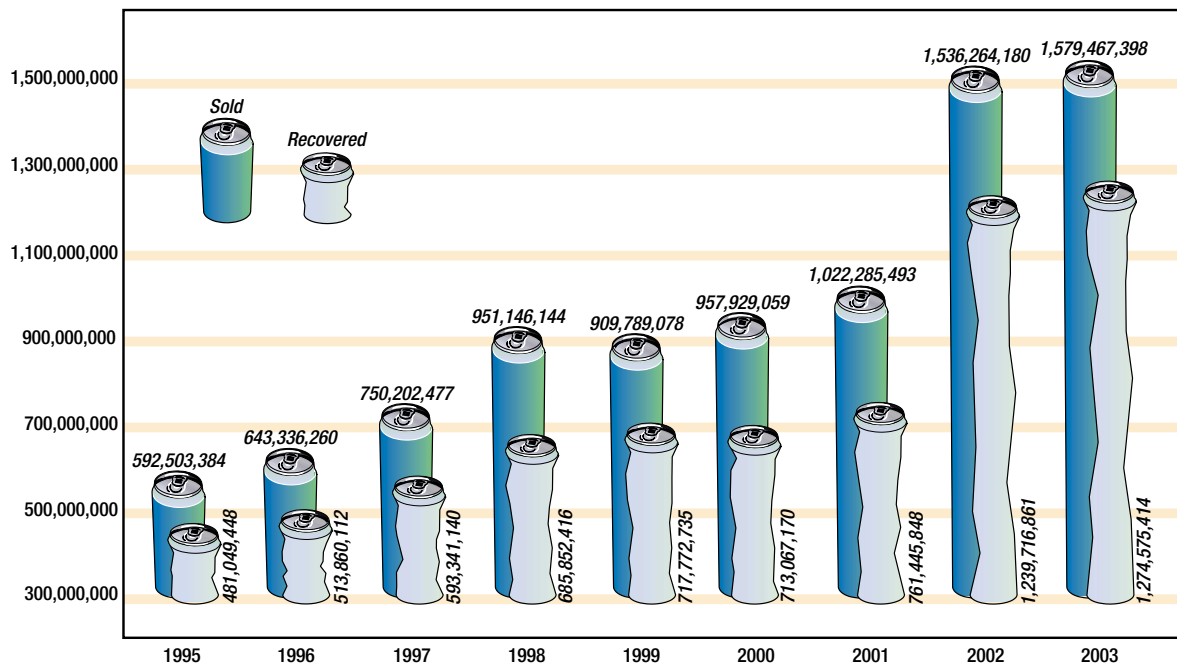
2003 saw returns increase by 35 million containers or 2.8% over the previous year. Albertans continue to support recycling of single serve beverage containers through Alberta's 215 universal depots and 100 beer return depots.

Mystery Shopper Program

In 2003, the BCMB again utilized summer students from the Recycling Council of Alberta to conduct its Mystery Shopper Program. This refund compliance check is carried out at bottle depots throughout the province.

“Albertans continue to support recycling of single serve beverage containers through Alberta’s 215 universal depots and 100 beer return depots.”

Sales vs. Recovery of Beverage Containers in Alberta’s Regulated System



NOTES: Tetrapaks (poly-coated containers) introduced to system in 1997.
 Beer containers became part of system in November 2001.

200 of Alberta’s 215 bottle depots were visited by the mystery shoppers who took a pre-determined value of containers to each depot. The 2003 results showed positive improvement with 169 of the 200 depots (or 84.5%) being within 4% of the required

refund as compared to 154 (or 77.8%) in 2002. Refund compliance audits are an important undertaking of the BCMB and a system of auditing year round is under development.

2003 Highlights (continued)

Depot Improvement

In 2003, the BCMB instituted a new program, the Policy to Promote Excellence – Depot Review, that scored the depots in a number of areas including service, refund compliance and quality control. Of 96 depots visited in 2003, 89, or 95.7%, scored more than 81% which entitled them to have their depot permits renewed for the maximum 5 year period.

The deficiencies were listed and the BCMB worked with the depots to overcome the problem areas.

In all, more than 200 visits were made to individual depots by BCMB staff during 2003.



communications committee that includes the Alberta Bottle Depot Association (ABDA) and the BCMB. Anderson McFallon Communications Inc. implements the advertising activities. The purpose of the committee is to find ways of increasing the return of empty beverage containers.

2003 activities included the development of a school pilot project involving 40 Calgary based schools; partnerships with the Impact Society, Child Find Alberta and 4H Clubs of Alberta; industry branding through the development of common signage for depots,

logo design and brand name for depots; and the design and production of a collection bin for beverage containers made of recycled PET.

One of the foremost objectives in 2004 will be to measure the impact of these initiatives relative to increased returns of empty containers.

Marketing Program

The Alberta Beverage Container Recycling Corporation (ABCRC), the collection system agent for non-beer products in Alberta, leads a

“2003 activities included the development of a school pilot project involving 40 Calgary based schools; partnerships with the Impact Society, Child Find Alberta...”

Industry Discussion Group

The BCMB collaborates with the ABCRC, the ABCC, and the ABDA to form the Industry Discussion Group. These regular meetings provide a forum in which members work together to find ways of improving the beverage container recycling system.

In 2003, projects included the implementation of the Policy to Promote Excellence – Depot Review for depot performance measurement; the continuation of the electronic e-bill pilot project; and the evaluation of a bulk glass handling pilot project at the Edmonton depots which will be implemented more widely in 2004.



Product Registration

All ready-to-serve beverage containers sold in Alberta (except milk) must be registered with the BCMB. Alberta law holds manufacturers, distributors, and retailers responsible for

registration and failure to comply could lead to fines of up to \$500,000.

In 2003, 3,656 new beverage containers were registered bringing the total number of registered beverage containers in Alberta to more than 50,000.

In addition to carrying out the registration, the BCMB carries out compliance checks at retail locations and provides retailers and manufacturers with written reports regarding any non-compliance.

Legal Issues

In October, 2002, the Alberta Bottle Depot Association (ABDA) and the Western Brewers Association (WBA) filed actions against the Beverage Container Management Board (BCMB) relative to the attempts by the Members of the BCMB to set handling commissions for beer containers.

The judicial reviews were heard by the Honourable Madam Justice Bielby of the Court of Queen's Bench in May, 2003. The decision was received on June 26, 2003.

Bielby confirmed that the BCMB is entitled to set handling commissions and is not an institutionally biased decision maker simply due to the composition of the Board. The Court further confirmed that the Board may send a decision on handling commissions to arbitration if it is unable to achieve consensus.



Further, the Court outlined the steps that should be taken to set handling commissions. These included the gathering of cost information from the depots, the need to define a procedure for ensuring that representations can be made by all interested

parties, and the utilization of a process to determine handling commissions for each container.

The BCMB Board has worked with the interested parties to develop, and has approved, a Handling Commission

Procedure that will be utilized to set the rates and has also developed a revised Arbitration Procedure to meet the requirements set by the Court. The process is underway with the intention of setting handling commissions for all beverage containers in 2004.

Audited Financial Statements





PricewaterhouseCoopers LLP
Chartered Accountants
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10088 – 102 Avenue
Edmonton, Alberta
Canada T5J 3N5
Telephone +1 (780) 441-6700
Facsimile +1 (780) 441-6776

February 27, 2004

Auditors' Report

To the Directors of
Beverage Container Management Board

We have audited the balance sheet of Beverage Container Management Board as at December 31, 2003 and the statements of revenue and expenditures and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board'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 Board as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

Balance Sheet

December 31, 2003

	2003	2002
	\$	\$
Assets		
Current assets		
Cash	749,987	680,999
Accounts receivable	29,700	16,522
Prepaid expenses	6,341	4,799
	786,028	702,320
Property and equipment (note 3)	24,070	11,309
	810,098	713,629
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	81,788	96,494
Current portion of obligation under capital lease (note 4)	2,389	2,068
	84,177	98,562
Obligation under capital lease (note 4)	12,774	–
	96,951	98,562
Surplus		
Surplus	713,147	615,067
	810,098	713,629

Approved by the Board of Directors


Director


Director

Statement of revenue & expenditures & surplus

For the year ended December 31, 2003

	Budget 2003 \$ (Unaudited)	Actual 2003 \$	Actual 2002 \$
Revenues			
Container fees	1,080,000	1,141,428	1,117,090
Product registration fees	35,000	35,939	33,975
Interest and other	10,000	16,091	9,280
Depot and application package fees	6,000	5,365	34,103
	1,131,000	1,198,823	1,194,448
Expenditures			
Payroll	416,000	352,558	327,676
Professional fees	75,000	211,815	139,387
Judicial review	40,000	101,450	23,361
Advertising	70,000	93,269	42,060
Office	112,000	89,725	90,490
Directors honoraria and expense	60,000	47,608	66,416
Travel	50,000	31,592	35,575
RCA refund compliance	35,000	26,232	42,540
Appeals committee	25,000	11,336	–
Depreciation	40,000	11,007	19,972
Staff training	10,000	9,030	3,188
Insurance and licenses	10,000	8,348	3,988
Miscellaneous	1,500	2,534	1,834
Interest on capital lease obligation	1,250	843	378
Total operating expenditures	945,750	997,347	796,865
Excess of revenue over expenditures before project expenditures	185,250	201,476	397,583
Projects	195,000	103,396	109,373
Excess of revenue over expenditures for the year	(9,750)	98,080	288,210
Surplus – Beginning of year	–	615,067	326,857
Surplus – End of year	(9,750)	713,147	615,067

Statement of cash flows

For the year ended December 31, 2003

	2003	2002
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	98,080	288,210
Item not affecting cash		
Depreciation	11,007	19,972
	109,087	308,182
Net change in non-cash working capital items	(29,427)	11,307
	79,660	319,489
Investing activities		
Purchase of property and equipment	(7,389)	(1,740)
Financing activities		
Repayment of obligation under capital lease	(3,283)	(3,285)
Increase in cash	68,988	314,464
Cash – Beginning of year	680,999	366,535
Cash – End of year	749,987	680,999
Supplementary information		
Interest paid	843	375

Notes to the Financial Statements

1. Nature of operations

The Beverage Container Management Board (the "Board") was incorporated under the Societies Act of the Province of Alberta on October 9, 1997. 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. Pursuant to the Beverage Container Recycling Regulation, Alberta Regulation 101/97, the Board has been delegated responsibility to administer the regulation and supervision of the beverage container management system in the Province of Alberta.

2. Accounting policy

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policy summarized below.

Property and equipment

Property and equipment are recorded at cost. Depreciation on these assets is provided for using the straight-line method as follows:

Assets under capital lease	5 years
Computer equipment	4 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

3. Property and equipment

			2003	2002
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Assets under capital lease	16,379	1,635	14,744	—
Computer equipment	68,094	59,101	8,993	8,322
Furniture and fixtures	18,859	18,526	333	2,750
Leasehold improvements	4,739	4,739	—	237
	108,071	84,001	24,070	11,309

4. Obligation under capital lease

	2003	2002
	\$	\$
Toshiba capital lease, bearing interest at 11.9% with blended monthly payments of \$332, due December 1, 2008, collateralized by specific equipment with a net book value of \$14,744	15,163	–
Capital lease	–	2,068
	<hr/> 15,163	<hr/> 2,068
Less: Current portion	2,389	2,068
	<hr/> 12,774	<hr/> –

Future minimum lease payments required to retire the lease obligation are as follows:

	\$
2004	3,988
2005	3,988
2006	3,988
2007	3,988
2008	3,988
	<hr/> 19,940
Less: Amount representing interest	4,777
	<hr/> 15,163

5. Commitments

Under the terms of an operating lease agreement for premises and telephone equipment, the Board is required to make the following annual lease payments:

	\$
2004	47,912
2005	45,647
2006	46,421
2007	47,196
2008	35,833

6. Financial instruments

The carrying value of accounts receivable, accounts payable and accrued liabilities and the obligation under capital lease approximate their fair value because of the near term maturity of those instruments.

7. Board member and management remuneration

The Board has expensed honoraria and wages paid to its directors and senior management reporting to the directors in the following amounts:

	2003	2002
	\$	\$
Board chairman		
Mr. E. Patterson	9,020	5,740
Board members		
Mr. R Macintosh	1,000	–
Mr. D. Custer	750	2,500
Mr. D. Dewinetz	–	1,500
Mr. M. Kitagawa	1,512	1,600
Mr. T. Mastel-Marr	1,978	4,000
Mr. J. Nixon	250	3,500
Mr. D. Brown	1,500	1,000
Mr. M. Mazepa	375	1,750
Mr. G. D'Avignon	1,875	3,250
Mr. F. Remtulla	1,500	500
Ms. J. Roschlaub	1,750	1,500
Mr. P. Kane	–	–
Ms. J. Harrington	–	–
Ms. F. Spenrath	–	–
	21,510	26,840
Managing director	92,300	82,004
	113,810	108,844

8. Budget amounts

The budget amounts have been presented for information purposes and have not been audited.

9. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.



Dan Piraro Bizarro cartoon used with permission of King Features Syndicate, Inc.

Beverage Container Management Board

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