

Beverage Container Management Board

2004 – 2006 Business Plan

1.0 Introduction

The Alberta Government has delegated the administration of the Beverage Container Recycling Regulation, as well as the maximization of the recycling of regulated containers through a cost-effective system, to the Beverage Container Management Board (BCMB).

The BCMB is a partnership of representatives from the beverage manufacturers, the container depot industry, environmental organizations, municipalities, the public and the Alberta Government. This unique alliance is responsible for supervising the system of collection and recycling of beverage containers throughout Alberta within the policy parameters set out by the Minister of Alberta Environment.

The twelve member Board of Directors, composed of four members each from the beverage manufacturing sector, the depot sector and the public sector, has the following responsibilities:

- a) setting criteria for the system;
- b) conducting inspections;
- c) registering beverage containers;
- d) issuing operating permits for container depots;
- e) approving the collection system agents, and;
- f) 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.

Since the BCMB first assumed its responsibilities on December 1, 1997, it has been working to ensure that Albertans continue to have access to an easy to use and cost-effective system of recycling for all ready to serve beverage containers. More than 1,255,000,000 containers, representing almost 81% of those sold, were either reused or recycled into other valuable products in the twelve months ending August 31, 2003. The focus of the BCMB continues to be the increasing of the number of beverage containers recycled in Alberta at the lowest cost to the consumer and in so doing, retaining the BCMB's position as an industry leader in beverage container management.

2.0 Legislative Mandate

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

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

By Order in Council 355/2001 dated 21 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 by-laws set by the Board:

- a) *Beverage Container Management Board Administrative By-law.*
- b) *Beverage Container Management Board Fee By-law.*
- c) *Beverage Container Management Board Administrative Compliance By-law.*

3.0 Performance

The success of the system has traditionally been measured by the number of containers that have been returned for re-use or recycling as a percentage of the number sold.

3.1 Return Rates

TABLE 1
HISTORIC RETURN RATES

YEAR	SALES	RETURNS	RETURN RATE (%)
1997	750,202,477	593,341,140	79.09
1998	951,146,144	685,852,416	72.11
1999	909,789,075	717,772,735	78.89
2000	957,929,059	713,067,170	74.44
2001	1,022,285,493	761,445,848	74.48
2002	1,536,264,180	1,239,716,861	80.70
2003	1,558,107,982	1,255,685,590	80.59

Notes:

1. Polycoat containers were introduced to the regulated system in 1997.
2. Domestic beer was introduced to the regulated system in November 2001.
3. Figures for 2003 are for the 12 month period from September 1, 2002 to August 31, 2003. All other data is for the specific calendar year.

TABLE 2
RETURN RATES FOR
THE 12 MONTH PERIOD ENDING AUGUST 31, 2003

MATERIAL	TOTAL UNITS SOLD	% TOTAL SALES	TOTAL UNITS RECOVERED	% TOTAL RECOVERED	% RETURN RATE
Aluminum Soft Drink	470,264,818	30.18	378,455,393	30.14	80.48
Aluminum Beer	338,008,992	21.69	305,610,456	24.34	90.41
Plastic	277,619,258	17.82	193,601,594	15.42	69.74
Glass Alberta Beer	164,268,460	10.54	161,769,852	12.88	98.48
Glass	119,306,237	7.66	96,364,436	7.67	80.77
Polycoat	141,583,983	9.09	79,542,214	6.34	56.18
Glass Import Beer	41,154,636	2.64	37,221,192	2.96	90.44
Bi-Metal	5,901,598	0.38	3,120,453	0.25	52.87
TOTAL	1,558,107,982	100%	1,255,685,590	100%	80.59

Beer containers have traditionally had high recovery rates. Beer is sold through restricted distribution channels to the adults of the beverage-consuming public; is consumed in limited locations such as licensed premises and residences; and has a long history within the deposit system.

Non-alcoholic beverages such as soft drinks and water can be sold to anyone with no restrictions relative to location for consumption and many are relatively new to the system.

The return rates for beer containers, both imported and Alberta beer, are consistently high, well above BCMB targets. In Table 2, note that the return rates for Alberta and imported beer bottles are 98.48% and 90.44% respectively while the recovery rate for beer cans is also high at 90.41%.

Polycoat containers, which were introduced to the system in 1997, have traditionally had substantially lower return rates although there have been signs that this is changing. Over the past 12 months, sales actually decreased by almost 160,000 containers while recovery increased by almost 8,300,000 containers for a recovery rate of 56.18%, the highest it has ever been. Recoveries have increased by 16,700,000 in the past two years, a possible result of the aggressive advertising campaign conducted through funding from the

manufacturers represented by the Alberta Beverage Container Recycling Corporation.

While PET soft drink bottles greater than 1 litre in size have maintained a very high recovery rate of over 87%, small bottles have brought the overall PET return rate down. Sales of small PET bottles increased by almost 20,000,000 containers or 11.3% in 2003 while more than 15,000,000 of these containers were returned. The actual rate has increased from 64.36% to 65.49%, again, a possible sign that the investment in advertising is having an effect.

Overall, the regulated non-beer sales increased by about 22,000,000 containers or 2.2% while the number of containers recycled increased by almost 25,000,000 or 3.4%.

The relationship between growth in sales and slower growth in recovery rates has caused the BCMB to look more closely at whether the recovery rate, defined as the number of units recovered in a given period divided by the number of units sold in the same period, is a precise measure of system performance or more of an indicator that should be considered over longer periods of time. Growth rates of beverage sales fluctuate with the ebb and flow of the market such that the significant growth in sales during a specific period may not be repeated in the following years. Also, the timing of the container return to the depot could be many months after the sale is reported by a manufacturer.

While the recovery rate is an indicator, it is also important to look at the number of units recovered, a figure that has increased consistently every year in the past decade.

3.2 Accountability

The BCMB has established the regulatory and operational environment necessary to effectively oversee the beverage container system. In addition to by-laws governing administration and setting fees, the BCMB has implemented a by-law on compliance allowing for the application of levies against bottle depots who are not in compliance.

In 2003, the Board of Directors approved the *Policy to Promote Excellence* which was designed to evaluate the depots relative to operations, appearance and generally to meeting the standards of the BCMB. These evaluations are utilized to determine the term of the depot permit upon renewal and can range anywhere from a probationary renewal to a full five year term renewal.

The accountability of depot performance is carried out by measuring refund compliance through the BCMB's *Mystery Shopper Program*. In the summer of 2003, for the second year, the BCMB in conjunction with the Recycling Council of Alberta, conducted visits to 205 of the 215 depots in the system. Students, managed by the Recycling Council of Alberta, took bags with a pre-counted number of containers to the depots. The students then reported on the value received from the depots to the BCMB who in turn notified the depots regarding their performance. In 2003, 85% of the depots were at or within 4% of the exact refund as compared to 77% in 2002. An attempt is being made to extend this program year round through the employment of retired people and/or other interested citizens.

There are two collection system agents in Alberta that manage the collection and recycling of the containers from the depot network. These are the Alberta Beverage Container Recycling Corporation (ABCRC) who is responsible for recovering all regulated non-beer beverage containers and the Alberta Beer Container Corporation (ABCC) who is responsible for recovering all regulated beer containers.

With respect to the Collection System Agents (ABCRC & ABCC), the BCMB had them file operating plans as per the “*Criteria For Approval Collection System Agent (CSA)*” approved by the BCMB Board in June, 2000. In 2004, the BCMB will initiate the performance measures associated with that document including a review of the agreements, cooperation among stakeholders, record keeping, ability to provide shipping supplies, and the achievement of recycling rates.

3.3 Public Satisfaction

The Beverage Container Management Board continues to work with the Alberta Beverage Container Recycling Corporation and the Alberta Bottle Depot Association to measure satisfaction of the recycling public. Twice a year, a study is carried out with approximately 800 households throughout the province. The most recent breakdown showed that 72% of the households contacted always recycle; 17% usually recycle; 6% sometimes recycle; 2% rarely recycle; and the remaining 2% never recycle. Other questions include knowledge of refund levels; recycling habits; frequency of depot visits; and consumer recall to advertising instruments. The intent is to find how recycling can be expanded either through new strategies or the refinement of existing methods.

In 2003, the BCMB carried out focus groups in Grande Prairie, Edmonton, Red Deer, Calgary and Lethbridge with individuals that recycle regularly and with depot operators in the five cities. A total of 95 people attended the 5 sessions. The purpose was to question individuals that do recycle to see what could be learned from them to increase the recycling habits of those that rarely or never recycle. Recommendations for increasing returns included a greater awareness campaign; greater convenience for the consumer; more involvement from the manufacturers; improvement of depots; greater information sharing among depots; more promotions; and increasing deposit levels. The recommendations will be utilized by ABCRC and the BCMB in their future promotional programs.

In 2003, the BCMB had self return post cards printed and supplied to depots. Depots were asked to supply them to their customers. The customers were encouraged to fill them out with their comments and return them directly, postage paid, to the BCMB. These comments, which in many cases included items for improvement, were supplied to the depots.

3.4 Cost Effectiveness

The overall cost effectiveness of the depot system is a prime concern of the BCMB and must be balanced with the rate of return.

Business planning, financial planning, performance measurement, and reporting are an

important part of the business of the BCMB.

The partnership between beverage manufacturers, container depot operators, environmental organizations, municipalities, the public and the Alberta Government is the basis for the success of the cost-effective system.

When applying the unredeemed deposits to the overall cost, the recycling cost is about one cent per unit sold making Alberta's system one of the most cost-efficient in Canada.

4.0 Board Vision, Mission and Performance Indicators

Vision

Protection of Alberta's environment by minimizing the presence of beverage containers in the waste stream.

Mission

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.

Performance Indicators

Our success will be measured by:

- a) high rates of return of regulated beverage containers;
- b) continuing innovation and improvement in the system;
- c) public satisfaction with the system;
- d) cost-efficiency of operations, and;
- e) demonstrated support of the Government and stakeholders.

5.0 Goals

In response to the challenges before it, the BCMB has identified five goals:

GOAL 1: MAXIMIZE THE RECOVERY OF REGULATED BEVERAGE CONTAINERS

Targets

1. Overall return rates for all regulated beverage containers will be:

2003	85% (Target)
2003	80.6% (Actual for 12 months ended August 2003.)
2004	85%

2005	85%
2006	85%

- All regulated beverage container types will record increases in return rates.

Product	2003 (Target)	2003 (Actual)	2004 (Target)	2005 (Target)
Aluminum (Non beer)	84%	80.6%	85%	85%
Plastics	74%	69.7%	76%	76%
Glass (Non beer)	78%	80.8%	81%	82%
Polycoat	55%	56.2%	58%	60%
Bi-Metal	60%	52.9%	63%	63%
Glass (Beer)	96%	96.9%	97%	97%
Aluminum (Beer)	91%	90.4%	92%	92%

(NOTE: All container types recorded increases in volumes over the previous year although only beer bottles, non-beer glass and polycoat exceeded the 2003 target for their categories.)

Strategies

- Continue to work with the Alberta Beverage Container Corporation and the Alberta Bottle Depot Association to determine factors affecting the recycling behaviour of Albertans.
- Continue to locate and work with organizations such as *Kans for Kids*, *Child Find Alberta*, and schools.
- Create increased public awareness through the web site, advertising and attendance at trade shows.
- Quantify and report on the number of containers recovered and recycled from various other recycling streams.

Measures

- Number of containers returned.
- Rate of return.
- Increase in the number of containers returned.

GOAL 2: BE ACCOUNTABLE FOR THE BEVERAGE CONTAINER MANAGEMENT SYSTEM

Strategies

1. Refine and communicate the roles and relationships of the BCMB as defined by the following:
 - a) Beverage Container Recycling Regulation
 - b) BCMB Administrative By-law
 - c) BCMB Business Plan
 - d) BCMB Compliance By-law
 - e) BCMB Fee By-law
 - f) Audited Financial Statements
 - g) Depot Criteria and Standards
 - h) Collection System Agent Criteria
 - i) Internal Policies
 - j) Uniform Code of Accounts
2. Report system performance to the Minister, stakeholders, and the public.
3. Conduct ongoing evaluation of the BCMB's roles and activities.
4. Answer inquiries from the Minister, stakeholders and the public in a timely manner.
5. Provide information on the web site relative to container recycling fees and the net recycling cost.

Measures

1. A clear audit opinion.
2. Quarterly financial statements.
3. Continued support of the Minister.

GOAL 3: IMPROVE THE LEVEL OF PUBLIC SATISFACTION

Strategies

1. Identify issues of public concern and establish or modify programs to address them.
2. Increase public education and awareness.
3. Offer training programs for stakeholders as needs are identified.
4. Answer inquiries from the public in a timely manner.

Measures

1. Number of inquiries made and resolved.
2. Number of depots providing accurate refunds.
3. Number of depots exceeding a 90% score through the BCMB's Policy to Promote Excellence.

GOAL 4: IMPROVE THE EFFECTIVENESS OF THE SYSTEM

Strategies

1. Maintain continuing effectiveness of the system including:
 - a) cost effectiveness of BCMB operations;
 - b) depot inspections;
 - c) registration of beverage containers;
 - d) issuance of operating permits for container depots;
 - e) audits and approval of collection system agents, and;
 - f) maintenance of a system of appeals.
2. Encourage economic and innovative methods and processes by depots, the ABCRC, ABCC and the Board.
3. Assist in the implementation of innovative pilot and/or demonstration projects with the ABDA, ABCRC and ABCC to improve system operations.
4. Carry out depot inspections and retail compliance checks.
5. Review handling commissions of all recycling streams.

Measures

1. Number of containers recovered.
2. The net recycling cost of a container per unit sold.
3. The weighted average Container Recycling Fee (CRF).

GOAL 5: MINIMIZE THE IMPACT OF BEVERAGE CONTAINERS ON THE ENVIRONMENT

Strategies

1. Review with the ABCRC and ABCC the current markets for recyclables to ensure that all beverage containers are recycled.
2. Develop programs to maximize the return of beverage containers.

Measures

1. Number of containers recovered.

6.0 Projects for 2004

In 2004 the BCMB will undertake the following projects:

1. Handling Commission Consultants. (\$150,000)
2. Handling Commission Legal. (\$75,000)
3. Handling Commission Arbitration. (\$150,000)
4. A study of performance measures regarding return rates. (\$10,000)
5. Further development of the web site. (\$5,000)
6. Board retreat re governance. (\$20,000)
7. Information system upgrade. (\$70,000)

7.0 Conclusion

With the Beverage Container Management Board setting measurable targets; working closely with Alberta Environment and other strategic partners including the Alberta Beverage Container Recycling Corporation, the Alberta Beer Container Corporation, the Alberta Bottle Depot Association, the Alberta Liquor Store Association and the Alberta Hotel and Lodging Association; by seeking to increase public awareness through strategic advertising; and promotion; the Beverage Container Management Board will strive to maximize the recycling of empty beverage containers in a cost effective manner for all Albertans.

BCMB 3 YEAR OPERATING BUDGET

	2003	2004	2005	2006
REVENUES				
Container Fees (.0009)	\$ 1,080,000.00	\$ 1,112,400.00	\$ 1,145,772.00	\$ 1,180,145.16
Product Registration Fees	\$ 35,000.00	\$ 35,000.00	\$ 36,050.00	\$ 37,131.50
Depot & Application Package Fees	\$ 6,000.00	\$ 3,000.00	\$ 3,090.00	\$ 3,182.70
Interest Revenue	\$ 5,000.00	\$ 10,000.00	\$ 10,300.00	\$ 10,609.00
Miscellaneous Income/Levies	\$ 5,000.00	\$ 2,500.00	\$ 2,575.00	\$ 2,652.25
TOTAL REVENUE	\$ 1,131,000.00	\$ 1,162,900.00	\$ 1,197,787.00	\$ 1,233,720.61

EXPENSES				
Payroll/Benefit Expense	\$ 416,000.00	\$ 410,000.00	\$ 422,300.00	\$ 434,969.00
Director's Honoraria	\$ 30,000.00	\$ 30,000.00	\$ 30,900.00	\$ 31,827.00
Director's Expenses	\$ 30,000.00	\$ 30,000.00	\$ 30,900.00	\$ 31,827.00
Professional Fees	\$ 75,000.00	\$ 75,000.00	\$ 77,250.00	\$ 79,567.50
Insurance/Licenses	\$ 10,000.00	\$ 12,000.00	\$ 12,360.00	\$ 12,730.80
Travel Expenses	\$ 50,000.00	\$ 35,000.00	\$ 36,050.00	\$ 37,131.50
Office Rent/Parking	\$ 45,000.00	\$ 50,000.00	\$ 51,500.00	\$ 53,045.00
Office Supplies	\$ 20,000.00	\$ 20,000.00	\$ 20,600.00	\$ 21,218.00
Repair & Maintenance	\$ 10,000.00	\$ 8,000.00	\$ 8,240.00	\$ 8,487.20
Telephone/Fax/Modem/Cell	\$ 20,000.00	\$ 20,000.00	\$ 20,600.00	\$ 21,218.00
Courier/Postage	\$ 15,000.00	\$ 10,000.00	\$ 10,300.00	\$ 10,609.00
Advertising & Promotion	\$ 70,000.00	\$ 70,000.00	\$ 72,100.00	\$ 74,263.00
Training/Subscriptions/Conferences	\$ 10,000.00	\$ 10,000.00	\$ 10,300.00	\$ 10,609.00
Arbitration / Judicial Review	\$ 40,000.00	\$ 50,000.00	\$ 51,500.00	\$ 53,045.00
Appeals	\$ 25,000.00	\$ 25,000.00	\$ 25,750.00	\$ 26,522.50
FOIP/Accountability	\$ 2,000.00	\$ 2,000.00	\$ 2,060.00	\$ 2,121.80
Mystery Shopper - RCA	\$ 35,000.00	\$ 35,000.00	\$ 36,050.00	\$ 37,131.50
Miscellaneous Expense	\$ 1,000.00	\$ 1,000.00	\$ 1,030.00	\$ 1,060.90
Bank Charges / Interest Exp.	\$ 1,250.00	\$ 2,500.00	\$ 2,575.00	\$ 2,652.25
TOTAL EXPENSES	\$ 905,250.00	\$ 895,500.00	\$ 922,365.00	\$ 950,035.95

PROJECTS

Deposit vs. Return Rate Study	\$ 10,000.00			
Handling Commissions	\$ 40,000.00			
Handling Commission Consultants		\$ 150,000.00		
Handling Commission Legal		\$ 75,000.00		
Handling Commission Arbitration		\$ 150,000.00		
Focus Groups	\$ 30,000.00			
Transport System Analysis	\$ 40,000.00			
Depot Analysis	\$ 25,000.00			
Web Site Development	\$ 10,000.00	\$ 5,000.00		
Performance Measures-RR Study	\$ 10,000.00	\$ 10,000.00		
Board Retreat-Goals/Objectives	\$ 30,000.00	\$ 20,000.00		
Computer System Upgrade		\$ 70,000.00		
Depot Siting Facilitator		\$ 10,000.00		
TOTAL PROJECTS	\$ 195,000.00	\$ 490,000.00	\$ 100,000.00	\$ 100,000.00

BUDGETED CASH FLOW	\$ 30,750.00	\$ (222,600.00)	\$ 175,422.00	\$ 183,684.66
Depreciation Expense	\$ 40,000.00	\$ 10,000.00	\$ 10,300.00	\$ 10,609.00
Adjustment/Write Off	\$ 500.00	\$ 500.00	\$ 515.00	\$ 530.45
Budgeted Surplus/(Deficit)	\$ (9,750.00)	\$ (233,100.00)	\$ 164,607.00	\$ 172,545.21

BCMB 3 Year Capital Budget

	2003	2004	2005	2006
Computers	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Furniture/Fixtures	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Leases/Leasehold Improvements	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Total Capital Budget	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00