



**BEVERAGE CONTAINER MANAGEMENT BOARD**

*January 1, 2010 to December 31, 2012*

*Three Year Business Plan*



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**I**

## ***Accountability Statement***

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The Beverage Container Management Board's (BCMB) Business Plan for the period January 1, 2010 through December 31, 2012 was prepared in accordance with the requirements of the *Beverage Container Recycling Regulation*, as amended, which was enacted under the *Environmental Protection and Enhancement Act* and the organization's bylaws. All of the BCMB's existing and proposed policies and procedures as of September 2009 and all of the Board's accountability obligations and relationships have been considered in preparing this Budget and Business Plan. As well, the Government of Alberta's and Department of Environment's Business Plans and priorities were taken into account in the development of the BCMB's Business Plan.

The BCMB is committed to achieving the planned results laid out in this Business Plan.

Approved by the Board of Directors,

Beverage Container Management Board

Per: Ross Risvold

Chair

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## **//**

# ***The BCMB's Contribution To Environmental Quality In Alberta***

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The BCMB is a not-for-profit association formed by representatives of Alberta beverage manufacturers, container depots and the public (environmental organizations, municipalities and interested citizens)<sup>1</sup>. It is charged with the responsibility for administering and delivering a system for collecting and recycling beverage containers in the province within policy parameters established by the Minister of Alberta Environment.

Since its inception on December 1, 1997, the BCMB has worked to ensure that Albertans have access to a convenient and cost-effective system for recycling used beverage containers. The BCMB exists to:

- Optimize beverage container recycling and through this benefit Albertans by diverting material from landfills, reducing the environmental impacts of beverage container use and providing manufacturers with a source of clean recyclable materials.
- Govern and administer the beverage container recycling system. In this regard the BCMB has the responsibility to:
  - Register all beverage containers sold and or distributed within the province.
  - Set both the criteria for establishing new beverage container depots and depot operating standards.
  - Approve the establishment of new depots, issue permits, monitor ongoing depot operations for their effectiveness and service quality and cancel or suspend permits for non-compliance with approval conditions or operating standards.
  - Oversee aspects of the agreements between beverage manufacturers or

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<sup>1</sup> *The BCMB has a sixteen member Board of Directors. Fifteen are voting members – five each from the beverage manufacturing sector, the depot sector and the public. One is a non-voting member that represents the Alberta Government.*

the Collection System Agent (CSA)<sup>2</sup> and depots or retailers related to the manner and frequency of container collections and the associated payments.

- Assess the operations of the CSA appointed or reappointed by manufacturers and approve their choice.
- Develop and implement a process for setting the amounts that a manufacturer or the CSA pays the depot for container collection (handling commissions).
- Set fees paid by manufacturers or depots for permits, registrations or the operations of the BCMB.

The BCMB's members are dedicated to overseeing and enhancing Alberta's beverage container management system. In its initial decade of operations, the BCMB focused on developing and implementing policies, administrative mechanisms and program structures to effectively meet its objectives. It will continue to do this; however, the BCMB will also continually review its programs, seek improvements to service and look for innovative ways to benefit the public by:

- Pursuing initiatives that improve container recycling return rates through:
  - Expanding awareness and insight into the role that Alberta consumers, manufacturers and retailers play in beverage container recycling.
  - Improving the beverage container recycling system convenience.
  - Incentives for recycling, including public communications and the use of deposits.
- Reducing the environmental impact or footprint of beverage container use including the choice of container materials and recycling, the diversion of waste and the operations of the beverage container recycling system.
- Ensuring that the beverage container recycling system operates in a cost effective and transparent manner – minimizing the net cost to consumers.
- Effectively governing and managing Alberta's beverage container recycling system.
- Improving accountability to the public and the Ministry of Environment (the Ministry) for the BCMB's leadership of the beverage container recycling system through effective measurement and monitoring of performance.

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<sup>2</sup> Currently there are two CSAs – the Alberta Beverage Container Recycling Corporation (ABCRC) and the Alberta Beer Container Corporation (ABCC).

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### III

## ***Beverage Container Recycling That's Innovative, Convenient and Cost-Effective***

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### **A. The BCMB's Vision and Mission**

The BCMB's vision is to be "*the leader in stewarding beverage containers to minimize their impact on the environment*". The vision anticipates a beverage container recycling system with:

- Higher return rates (85% or better).
- Stronger public participation.
- Convenient, cost effective container collection.
- Consistent high levels of service from the depots.
- Consistent, fair and firm enforcement of depot and CSA standards.
- Financial transparency.

Consistent with its vision, the BCMB's mission is to "*govern a leading beverage container management system that is innovative, accessible and cost effective*".

### **B. The BCMB's Mandate**

The Beverage Container Management Board was incorporated under the *Societies Act* as a management board under the *Beverage Container Recycling Regulation* pursuant to Section 175(jj) of the *Environmental Protection and Enhancement Act* on December 1, 1997. By Order in Council 505/2008 dated October 22, 2008, the *Beverage Container Recycling Amendment Regulation* extended the *Beverage Container Recycling Regulation* for five years expiring October 31, 2013.

The BCMB operates in accordance with the general by-laws set by the membership, as well as the following by-laws set by the Board:

- *Beverage Container Management Board Administrative By-law.*
- *Beverage Container Management Board Fee By-law.*
- *Beverage Container Management Board Administrative Compliance By-law.*

The BCMB's programs and goals contribute to the provincial goal<sup>3</sup> of *sustaining the high quality of Alberta's environment*. The BCMB is a material example of the shared responsibility of citizens, communities, governments and industry for stewardship of the environment. A key outcome of the stewardship of beverage container recycling is the minimization of waste and recycling leadership in the beverage container sector.

The BCMB's programs and goals also contribute to Alberta Environment's (the "Ministry") goal<sup>4</sup> of having *Albertans, communities, governments and industry working as good stewards of the environment*.

The BCMB's stated mandate from its incorporating documents is to "*establish, maintain and administer a waste minimization and recycling program for beverage containers*". It achieves this by realizing its objectives of:

- Improving container recycling return rates.
- Reducing the environmental impact of beverage containers.
- Cost effectiveness and transparency in the beverage container recycling system.
- Governing and administering the beverage container recycling system.

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<sup>3</sup>Goal number three from the Government of Alberta Strategic Business Plan 2009-2012.

<sup>4</sup> Goal number four from the Alberta Environment Business Plan 2009-2012.

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## IV

### ***Operating Principles***

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In delivering its mandate and objectives, the BCMB adheres to a number of principles, which guide its policies, operations and relations with stakeholders. The following are the BCMB's operating principles:

- **Environmental Protection** – The BCMB is committed to the protection of the environment by removing beverage containers from the waste stream and by requiring that beverage container manufacturing and recycling activities have a minimal impact on the environment.
- **Public Service** – The BCMB recognizes its obligation to serve the public interest by applying its expertise and knowledge in beverage container recycling and business management to the enhancement of the environment.
- **Accountability** – The BCMB is accountable to the Ministry, beverage container recycling system stakeholders, beverage consumers and Albertans. As a result, the BCMB is committed to processes that are transparent and fair.
- **Excellence in Customer Service** – The BCMB is committed to cost effectiveness in the beverage container recycling system and to service standards for system customers that will encourage participation in container recycling.
- **Innovation** – The BCMB encourages innovation in all aspects of beverage container use and recycling.

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# V

## ***Today's Environment for Beverage Container Recycling***

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### **A. Contributing to a Sustainable Environment**

The socio-economic situation facing the BCMB and the beverage container recycling system continues to change – and rapidly! In the long run, beverage container recycling is affected by the public's increasing awareness of the natural environment and their impact on it as consumers. Issues like climate change are raising environmental awareness and with that there are increasing expectations on government, industry and others for responsible use and recycling of all resources, including those that find their way into packaging and beverage containers. The message that the environment has a finite capacity to absorb waste and byproducts has taken on real meaning.

In order to meet its objective of environmental protection, the BCMB requires an effective container recycling program – one that is effective in meeting or exceeding the targeted 85% return rate. To be effective, *the BCMB's initiatives, the use of beverage containers and the associated recycling activities must have a minimal impact on the environment.*

### **B. Enhancing the BCMB's Core Responsibilities**

The next few years will be vitally important to the BCMB and to the object of its mission – the existence of a leading beverage container recycling system in Alberta that is innovative, accessible and cost effective. As a starting point the BCMB has:

- A renewed mandate from the Government of Alberta and an improved ability to govern. The mandate and the associated authority are broad enough for the BCMB to fulfill its mission.
- The core competencies required to administer the beverage container recycling system – registering containers and manufacturers, permitting and monitoring depots, setting handling commissions and overseeing aspects of the relations between manufacturers, depots and the CSA.

Along with the BCMB's renewed mandate and the basis for improved governance comes an increased expectation for leadership and accountability. Leadership in beverage container recycling is also a vital component of the follow through on

business plan commitments and strategies. Over the planning period, *the BCMB must focus on:*

- *Improved Board governance – enhancing the BCMB’s capacity to exercise its mandate and leverage its partnerships and particularly its relationship with the CSAs.*
- *Delivering on all process responsibilities, but particularly processes involving handling commissions and compliance.*
- *Performance measurement.*

### **C. Expanding and Strengthening the Beverage Container Recycling System**

A key enhancement to the BCMB mandate has been the assignment of a clear target in beverage container recycling return rates – the expectation is that the deposit-refund system will achieve a minimum 85% recovery by the end of this three year business planning period. The return rate is a final, observable measure of a number of economic and social influences:

- The Board expects that the beverage container return rate will increase as a result of the November 2008 increase in deposit rates and the economic slowdown. In the short term, a slower economy has the dual impact of (i) raising the significance of the refund to families and individuals and (ii) reducing or leveling consumption, thus slowing the growth in the inventory of unreturned containers.

In the longer term, growing populations, an expanding economy and a larger container stream will see a return to increasing numbers of containers, increasing container inventories and the challenge of catching up with consumers that are new to the system.

In order to achieve the 85% target in this planning period, *the BCMB, the CSAs and their industry stakeholders will need to work more closely together, focusing on increasing consumer awareness, improving accessibility for customers and addressing customer concerns regarding service or other unintended barriers to container recycling.*

- The inclusion of dairy beverage containers starting June 1<sup>st</sup>, 2009 has brought a new container stream to the system. Initially this may offset some of the expected increase in returns due to the increased deposits and the slower economy; however, it will also bring new participants to the system.

In the longer term the combined impact of (i) the additional containers (impact on container handling and system complexity), and, (ii) resumed economic growth (impact on depot cost, labor availability and the business model) will

affect the system. In order to achieve system improvements and overcome increasing system complexity and operating costs, *the BCMB will need to focus on improving cost effectiveness and on simplifying or eliminating processes.*

- The BCMB's approach to container handling fees has been strictly cost based – it has often been referred to as a “utility-based pricing model”. Given this structure, it is inherently difficult to reward or incentivize cost reducing innovations in the depots.
- It is in the long term interest of consumers to have a cost effective beverage container recycling system. The Alberta economy is expected to resume its growth in 2010 and once again lead Canadian provinces. A return to full employment in Alberta and the resulting wage and hiring pressures will mean that depot's interest in cost effectiveness measures also remains high. To address these aspects of its mandate, *the BCMB must focus on business innovation and the use of new technologies in beverage container recycling.*
- More municipalities are introducing “blue box” or curbside recycling programs (Calgary, St. Albert). In addition, the Alberta Dairy Council container recycling program has offered a significant municipal component.

These changes (curbside recycling and the transition of dairy containers) will be significant for consumers and municipalities. Curbside collection adds convenience but *it requires that the BCMB focus on beverage containers in the municipal recycling stream and on new relationships with the municipalities.*

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## VI

### **2010 – 2012 BCMB Strategies and Actions**

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#### **Goal 1 – Improve and sustain container recycling return rates**

The BCMB's members and stakeholders have committed to a minimum of an 85% container return rate through the beverage container recycling system. This is the most fundamental measure of the program's achievements and will drive many of the Board's actions over the coming three years.

As a starting point, the Board needs to become informed on the specific issues and barriers that currently affect the return rate – issues that may prevent achievement of the 85% target. Once this occurs, the BCMB will be aggressive in the development of actions that will close the gap. The actions are expected to include the development and implementation of:

- Awareness and education programs.
- Depot service and convenience standards.
- Retailer messaging.
- Innovations in container collection.

#### **Strategies:**

Over the next three years the Beverage Container Management Board will:

- A. Work with the CSAs and depots in an analysis of the existing return rates by segment – geography, container stream, consumer group or other criteria – to identify specific strengths and weaknesses in the program.
- B. Complete an internal and external analysis and benchmarking of best practices in beverage container recycling. The analysis will consider work already done and provide options for the Board, the CSAs and depots to consider for Alberta's container recycling system.
- C. Review the standards for depot size, trading area and scope of operations to ensure that they are meeting the needs of existing and potential container recycling customers and promoting depots of an efficient size.

- D. Develop and implement partnerships, recycling campaigns and technologies that will increase the return rate for containers from beverages consumed away from home and in multi-family settings.
- E. Consider developing a pilot “Beverage Container Recycling Innovation Fund” that could leverage investments by the beverage industry, the depots or retailers in technologies and practices to enhance container returns or bring cost efficiencies to consumers.
- F. Continue building a strong relationship with the CSAs, leveraging their resources and experience in container recycling operations, communications and awareness.

## **Goal 2 – To reduce the environmental impact or footprint of beverage container use**

The BCMB recognizes the overriding importance of protecting and enhancing Alberta’s environment through minimizing the contribution of beverage containers to litter, diverting beverage containers from the waste stream and enabling the recycled use of container materials – all in a manner that is environmentally responsible.

The Board has little past work to serve as a reference in its decision making with respect to environmental impacts. As a result, the first step in reducing the environmental impact of beverage containers and container recycling is baseline analyses that identify the environmental impact of the alternative end uses for specific container materials as well as the impacts of container recycling itself. There is also a need to prioritize environmental issues and refine measures of program impacts.

### **Strategies:**

Over the planning period the Beverage Container Management Board will:

- A. Undertake life cycle analyses to assess the relative environmental impact of the:
  - End use options for those beverage containers that have energy value as a waste product (HPDE plastic, PET plastic, other plastics and paper products). At a minimum, this will include consideration of recycling vs. gasification vs. incineration in cement kilns.
  - Beverage container recycling program including the collection, transportation and processing of beverage containers.
- B. Set appropriate strategies for end uses and/or targets for emissions and develop operational strategies that will achieve the targets.

### **Goal 3 – To ensure that the beverage container recycling system operates in a cost effective manner**

The BCMB recognizes that it must operate in a cost effective manner in order to minimize the program cost to consumers and minimize any unintended impact on the shelf price of beverages and therefore on the business of beverage manufacturers. This requires that the costs of collection be reduced – likely through innovations that involve (i) the simplification of collection processes (e.g. less handling, fewer sorts, compaction) and (ii) the use of technology that may be new to the depots or CSAs. While the Board has a general direction regarding cost effectiveness, there is again little past work to guide specific actions. The starting point includes a baseline analysis of practices that affect beverage container recycling costs and coordination of available resources.

#### **Strategies:**

Over the planning period the Beverage Container Management Board will:

- A. Undertake an internal and external analysis and benchmarking of best practices in beverage container recycling. Analysis will provide options for improving cost effectiveness that the Board, CSAs and depots may apply to the system.
- B. Commence an initiative to advance implementation of computer technologies in depots including the use of “Point of Return” systems to encourage improved customer service, speed and accuracy.
- C. Pilot the use of densification (compaction or shredding) with industry stakeholders.
- D. Coordinate ABCRC, ABCC, ABDA and BCMB public awareness and identity programs.

### **Goal 4 – To effectively govern and manage Alberta’s beverage container recycling system**

The BCMB cannot lose sight of its core responsibilities under the *Beverage Container Recycling Regulation*. In this respect the Board has solid processes and competent people in place to manage and act on its registration, compliance and handling commission responsibilities. There have been changes to the system in the past few years, including an improved handling commission process and an increase in the numbers of containers handled. The system has grown in both size and complexity. In the coming planning period, the BCMB will need to address handling commissions based on a successful and fair process and augment its capacity to ensure compliance.

## **Strategies:**

Over the planning period the Beverage Container Management Board will:

- A.** Conduct and complete its second handling commission review, the first to take place under a process that has been revised to address specific deficiencies.
- B.** Develop annual CSA performance criteria that set specific goals and performance measures.
- C.** Implement an enhanced compliance program that is aimed at helping to standardize and improve both performance and customer service at the province's depots.
- D.** Institute an annual independent review of the performance of the Board of Directors. In one year and in any case prior to the end of 2012, the Board will identify options for changing its makeup and representation in order to improve governance and the overall quality of decision making.

## **Goal 5 – To ensure accountability and transparency to Albertans**

The BCMB recognizes that for delegated authorities, accountability to the Ministry, public and stakeholders is paramount. Accountability requires clear measurement of progress and achievements and transparent and thorough reporting. In this regard, the Board plans to place renewed emphasis on the quality of its business plans and annual reports and on establishing solid measures for performance that are consistent with those identified in the Environment Canada October 2007 document "Performance Measurement and Reporting for Extended Producer Responsibility Programs".

## **Strategies:**

Over the planning period the Beverage Container Management Board will:

- A.** Enhance and improve the comprehensive Balance Scorecard in use for the beverage container recycling system.
- B.** Assess and if appropriate implement a revised measure of return rate that incorporates:
  - The effect of time lags within the system.
  - An adjustment corresponding to the amount of beverage containers that are actually determined to have ended up in Alberta landfills.

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## VII

### **Financial Plan**

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#### **A. Description and Status of Revenue Sources**

The expected 2010 to 2012 (three year) operating revenue for the BCMB is summarized in Exhibit VII-1. The BCMB receives its operating revenue from four sources:

- A fee (surcharge) is collected on each container returned. As of January 1, 2010 this is set at \$0.0013 per container<sup>5,6</sup> – given CSA estimates of the anticipated volume of returned containers, this amounts to between \$2.2 million and \$2.8 million annually.
- Product registration fees are between \$5 and \$20 annually per container. Based on the numbers of registered containers it's expected that the BCMB revenue from these sources will total \$30,000 annually.
- New depot permit applicants are charged a fee of \$600 per application. The fee for permit issuance, transfer or renewal is \$500. Given the number of depots planned and in existence, it's expected that BCMB revenue from these sources will total \$55,000 annually.
- Due to lower interest rates, "Interest and other" revenue for the BCMB is expected to be in the range of \$12,000 annually over the 2010 to 2012 fiscal years.

#### **Exhibit VII-1 BCMB revenue projections**

	<b>2009 (est.)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Container fees	\$ 2,217,000	\$ 2,570,263	\$ 2,698,777	\$ 2,752,752
Product registration fees	32,000	30,000	30,000	30,000
Depot fees	55,000	55,000	55,000	55,000
Interest and other	11,000	12,000	12,000	12,000
	<b>\$ 2,315,000</b>	<b>\$ 2,667,263</b>	<b>\$ 2,795,777</b>	<b>\$ 2,849,752</b>

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<sup>5</sup> The CSAs and the depots each pay 50% of this amount.

<sup>6</sup> In order to maintain planned operating reserves, the fee was increased marginally on January 1, 2010 from .0012 to .0013.

## B. Program delivery and administrative expenditures

Expenses will be incurred for the activities required to support the BCMB's programs and pursue its mandate and objectives. The 2010 through 2012 annual expenditures are provided in Exhibit VII-2 and Exhibit VII-3.

### Exhibit VII-2 2010 – 2012 planned expenditures

	2009 (est.)	2010	2011	2012
<b>Administrative and Management Expenses</b>				
Payroll	\$ 617,000	\$ 805,000	\$ 948,000	\$ 1,036,000
Staff training	18,000	26,500	27,000	27,500
Board of Directors' honoraria and expense	121,000	182,000	192,000	202,000
Audit fees	8,800	9,100	9,400	9,700
Legal fees	145,000	170,000	177,000	185,000
Consulting	181,000	192,000	200,000	208,000
Advertising	154,000	210,000	220,500	231,000
Travel	65,000	100,000	110,000	115,000
Office	149,000	192,000	202,000	213,000
Insurance and licenses	10,200	14,000	15,000	16,000
Interest on capital lease obligation	200	50	-	-
Miscellaneous	2,000	2,000	2,000	2,000
Depreciation	35,000	27,800	13,900	13,900
Refund Compliance	68,000	105,000	110,300	110,300
Depot Information System	20,000	20,000	20,000	20,000
<b>Total Administrative and Management</b>	<b>\$ 1,594,200</b>	<b>\$ 2,055,450</b>	<b>\$ 2,247,100</b>	<b>\$ 2,389,400</b>
<b>Project Expenses</b>				
Improve return rates	60,000	190,000	175,000	175,000
Reduce environmental impact	-	100,000	-	-
Operate cost effectively	-	150,000	50,000	50,000
Effective governance	228,100	1,360,000	120,000	95,000
Ensure accountability	47,500	50,000	50,000	50,000
<b>Total Project</b>	<b>335,600</b>	<b>1,850,000</b>	<b>395,000</b>	<b>370,000</b>
<b>Excess (Deficit) Revenue[1] over Expenditures[2]</b>	<b>385,200</b>	<b>(1,238,187)</b>	<b>153,677</b>	<b>90,352</b>
<b>Net Assets</b>	<b>2,382,920</b>	<b>1,144,733</b>	<b>1,298,410</b>	<b>1,388,762</b>
<b>Net Asset Target</b>				
Restricted for: Wind-up Costs	400,000	400,000	400,000	400,000
Unrestricted for: Operating Reserve	275,000	275,000	275,000	275,000
Handling Commission	-	-	300,000	600,000
<b>Net Asset Target</b>	<b>675,000</b>	<b>675,000</b>	<b>975,000</b>	<b>1,275,000</b>
<b>Net Assets Excess (Deficiency) versus Target</b>	<b>1,707,920</b>	<b>469,733</b>	<b>323,410</b>	<b>113,762</b>

The Board intends to retain net assets at a level adequate to cover: (i) \$400,000 in reserve to cover potential wind-up costs, (ii) a \$275,000 operating reserve, and (iii) a reserve that grows to \$900,000 over a three year period – an amount adequate to fund

handling fee commission hearings on a three year interval. The BCMB's fees will be adjusted to a level that supports the projected expenditures and the reserves, and that considers the additional amounts collected once recovery levels reach 85%.

### Exhibit VII-3 Project expenditure detail

	2009 (est.)	2010	2011	2012
<b>1. Improve return rates</b>				
a. Return Rate Analysis by Segment	\$ -	\$ 25,000	\$ 50,000	\$ 50,000
b. Best Practices and Benchmarking	60,000	40,000	25,000	25,000
c. Depot Access Analysis	-	25,000	-	-
d. Return Rate Initiatives	Incl. in 1a	Incl. in 1a	Incl. in 1a	Incl. in 1a
e. Pilot Beverage Container Innovation Fund	-	100,000	100,000	100,000
f. Partnership Building with CSA's	Incl. in 1a	Incl. in 1a	Incl. in 1a	Incl. in 1a
Total	60,000	190,000	175,000	175,000
<b>2. Reduce environmental impact</b>				
a. End of Life Cycle Analysis	-	100,000	-	-
b. End Use Operational Strategies	-	Incl. in #2a	-	-
Total	-	100,000	-	-
<b>3. Operate cost effectively</b>				
a. Cost Effectiveness Projects	-	50,000	50,000	50,000
b. Point of Return (POR) Study	-	50,000	-	-
c. Densification of Beverage Containers	-	50,000	-	-
d. Coordinate Awareness Programs	-	Incl. in 3a	Incl. in 3a	Incl. in 3a
Total	-	150,000	50,000	50,000
<b>4. Effective governance</b>				
a. Handling commission review	119,000	1,200,000	-	-
b. CSA Performance Criteria	8,500	50,000	-	-
c. Enhanced Depot Compliance	40,000	60,000	60,000	60,000
d. Governance Project	3,000	5,000	5,000	5,000
e. Appeals Committee	30,000	30,000	30,000	30,000
f. HR Review	27,600	15,000	25,000	-
Total	228,100	1,360,000	120,000	95,000
<b>5. Ensure accountability</b>				
a. Planning, Monitoring and Reporting	22,500	-	-	-
b. Revised Measure of Return Rate	Incl. in 1b	Incl. in 1b	Incl. in 1b	Incl. in 1b
c. Consumer Survey	25,000	50,000	50,000	50,000
Total	47,500	50,000	50,000	50,000
<b>Total Projects</b>	<b>335,600</b>	<b>1,850,000</b>	<b>395,000</b>	<b>370,000</b>

## C. Fiscal responsibility and efficiency

All BCMB expenses not directly allocated to projects are considered administration expenses. Minimizing administrative expenses is an important goal for the BCMB. The BCMB retains small surplus funds (if any) to offset future deficits. The available funds are retained as cash and are therefore invested conservatively – as a result capital has been preserved even in light of unprecedented capital market volatility in the second half of 2008 and so far in 2009.

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## VIII

### ***Monitoring and Evaluation***

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#### **A. Monitoring and Evaluation Overview**

The BCMB will constantly monitor its actual results and compare them to accountability targets or performance measures established for each facet of the beverage container recycling system where the BCMB must have success:

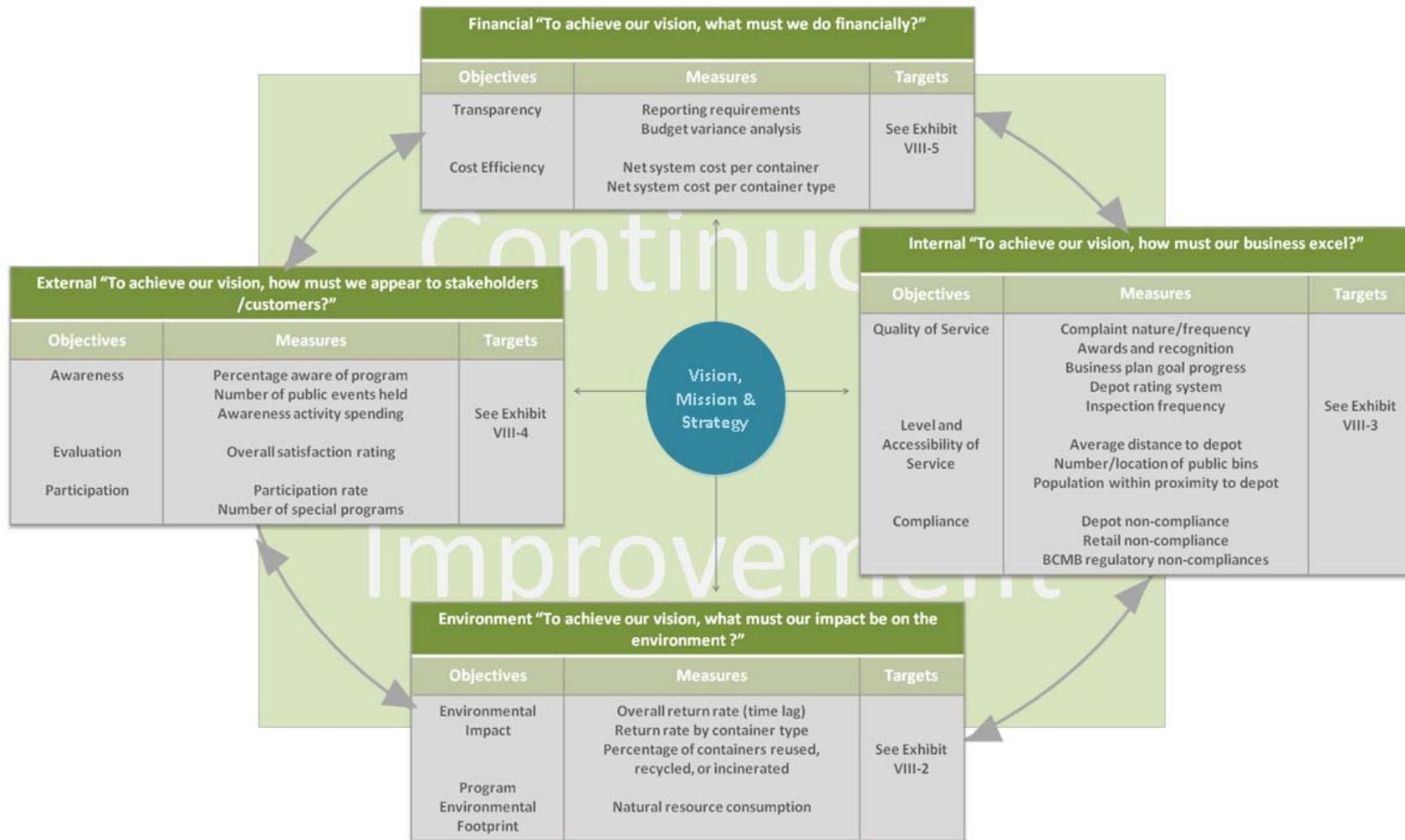
- Positively impacting the environment.
- Transparently and responsibly managing financial performance.
- Meeting stakeholder and consumer expectations.
- Providing quality and convenient service that meets provincial standards.

The BCMB will identify performance gaps and achieve improvements through specific initiatives and actions. Exhibit VIII-1 provides a conceptual model of the BCMB balanced scorecard.

The Exhibit provides the intended scope of the measures. These are based on the Environment Canada October 2007 document “Performance Measurement and Reporting for Extended Producer Responsibility Programs”, on the practices of other similar organizations in North America and on Board deliberations. While the framework and many of the measures have been agreed to by the Board, some of the specific objectives, measures and targets remain under consideration or are being tracked for the first time. It is expected that the framework will evolve over the planning period.

The following sections provide more detail on the measures.

**Exhibit VIII-1  
The BCMB balanced scorecard**



## B. Environmental Measures

Exhibit VIII-2 provides an overview of BCMB's environmental measures and targets for the coming three years. Through new initiatives and continuous improvements of current processes, the BCMB will work toward increasing the positive environmental impact of recycling in Alberta. The environmental performance measures focus on two objectives: (i) ensuring a positive and significant environmental impact in Alberta as a result of beverage container recycling, and (ii) evaluating the environmental footprint of the recycling program itself. In line with the high level of significance of BCMB's environmental impact, the environmental measures receive the greatest weighting in the balanced scorecard.

### Exhibit VIII-2 BCMB environmental measures

Performance Measures and Objectives	Actual 2008	Estimates for 2009 <sup>=</sup>	Target 2010	Target 2011	Target 2012
<b>Objective: Environmental Impact</b>					
Overall return rate*	76.8%	80%	82%	85%	85%
Return rate by container type:					
Aluminum	79.8%	81%	83%	85%	85%
Bi-Metal	64.7%	74%	79%	80%	80%
Glass	86.1%	90%	92%	94%	94%
Glass (Refillable)	92.9%	97%	97%	97%	97%
Other Plastics	53.1%	38%	50%	70%	70%
PET	70.2%	75%	78%	80%	80%
Polycoat	54.6%	63%	70%	80%	80%
Percentage of all containers sold that are reused, recycled, or incinerated.**	Under analysis	Under analysis	TBD***	TBD	TBD
<b>Objective: Program Environmental Footprint</b>					
Natural resource consumption created by direct recycling activities	TBD	TBD	TBD	TBD	TBD

<sup>=</sup> Based on six month data (June 2009) and discussions with the ABCRC on trends.

\* Excludes data for kegs.

\*\* Data is under development by the ABCRC and should be available by year-end 2009.

\*\*\* To be developed.

The return rates shown in Exhibit VIII-2 for 2008 and the estimates for 2009 are as reported by the ABCRC and ABCC. The Board has three planned enhancements to this performance measure starting in 2010:

- Incorporation of a time lag into the return rate. Although a manufacturer produces and distributes a beverage container in one month, depending on the time that distributors, retailers and consumers spend storing the beverage and the empty container, it may not be returned for recycling for some time. The time lag is less of a concern if consumption is at a steady state; however, the lag will result in under reporting return rates when beverage consumption is

growing (for example when the economy is expanding) and over reporting when consumption contracts. The goal is to develop a more accurate return rate using an appropriate time lag for each container stream.

- Reporting on all beverage container recycling taking place in Alberta. Presently, only containers that are returned to depots in exchange for the refund are included in the return rate. In order to report the full extent of container recycling, the return rate measure must account for beverage containers that are collected and sent directly to recyclers<sup>7</sup>, transported to other provinces for reuse and recycling, or that leave the system in other ways. One approach would be to develop an adjustment that corresponds to the amount of beverage containers that are actually determined to have ended up in Alberta land fills.
- Reporting on the proportion of containers sold that are not landfilled by end use (reuse, recycling or incineration) – a measure of post-use management.

Also Exhibit VIII-2 includes a measure of the environmental footprint of the program. The BCMB has chosen to report this in terms of the relative environmental impacts that result from the collection, transportation and processing of beverage containers. These could consider energy use in depots, warehouses and office buildings, or the impacts of transportation. This measure and its associated targets will be developed for 2011 following establishment of a benchmark through the life cycle analysis planned for completion in 2010.

### **C. Business (Internal) Measures**

The BCMB has several measures of business (internal) performance that focus on ensuring that the consumers are provided with high quality, accessible services. The measures and their targets for 2010 - 2012 are summarized in Exhibit VIII-3. A number of the performance measures are ready to be used for evaluating the BCMB in 2010 in terms of the quality of service. These include:

- Progress on business plan goals and targets. The expectation is that the strategies outlined in the Business Plan will be met or addressed in other ways by the Board.
- Number of stakeholder (public) service complaints. The data is collected today but is not readily available for benchmarking. In 2010 the BCMB will assess past performance and set relevant goals for 2011 and 2012.
- Number of depot inspections. Depots are inspected to ensure compliance with depot criteria set by the board. The target for depot inspections is to conduct the equivalent of at least two inspections per depot on an annual basis.

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<sup>7</sup> This occurs mainly in municipal Blue Box programs where glass is crushed and recycled for safety reasons and plastics are bundled and sold to recyclers as mixed waste.

- Number of retail locations inspected. The focus for retail inspections is on discovering unregistered containers and confirming proper posting of deposit and container recycling fee information within retail locations.

**Exhibit VIII-3  
BCMB business (internal) measures**

<b>Performance Measures and Objectives</b>	<b>Actual 2008</b>	<b>Estimates for 2009</b>	<b>Target 2010</b>	<b>Target 2011</b>	<b>Target 2012</b>
<b>Objective: Quality of Service</b>					
Progress on business plan goals and targets	n/a	Goals Achieved	Goals Achieved	Goals Achieved	Goals Achieved
Awards and recognition	1	1	1	1	1
Number of stakeholder depot service complaints	34	34	<50	<50	<50
Number of depot inspections	238	324	430	430	430
Number of retail locations inspected	76	80	90	95	100
Depot rating system	n/a	n/a	Develop	TBD	TBD
<b>Objective: Accessibility of Service</b>					
Population within designated proximity of a depot	n/a	n/a	Develop	TBD	TBD
Average travel distance to depot	n/a	n/a	Develop	TBD	TBD
Number of external access points*	1,743	2,172=	2,200	2,250	2,300
<b>Objective: Compliance</b>					
Incidence of non-compliance (from depot inspections)	n/a	n/a	Develop	TBD	TBD
Incidence of non-compliance (from retail inspections)	n/a	n/a	Develop	TBD	TBD
Incidence of non-compliance (BCMB regulatory requirements)	Compliant	Compliant	Compliant	Compliant	Compliant

\* Public bins distributed through ABCRC's Community Champions Partners and outdoor metal bins (Alberta Parks, Municipalities and Alberta Transportation).

= 2009 numbers are an estimate as no formal target was established for 2009.

Other Quality of Service measures must be developed and benchmarked over the upcoming year:

- Awards and recognition earned. This measure will be qualitative and may or may not be applicable each year. Any awards or formal recognition that the BCMB may receive for work related to beverage container recycling reflects well on the program and is viewed as positive feedback related to the business (internal) performance measure.
- Depot rating. In 2010 the BCMB will develop a comprehensive depot rating system that builds on current depot inspections and rates each Alberta depot according to specific achievement guidelines. The measure used will be the industry average score (or volume weighted average score) with the first year's rating providing a benchmark to guide improvement.

Accessibility of service is an important determinant of the recycling rate and participation rates. In 2010 the BCMB will undertake an analysis of customer accessibility with a goal of assessing and defining targets and current benchmark values for “service population” and “average distance”. The number of external collection points will also be reported on as a measure of accessibility.

In the third group internal business measures, the BCMB will report on the incidence of compliance (or non-compliance) resulting from its own activities and that result from depot and retail inspections. A 2010 review of files will be used to establish depot and retail non-compliance benchmarks and targets for 2011 and 2012. Over all three years, the BCMB is expected to be fully compliant with its regulatory requirements.

#### D. Public and Consumer (External) Measures

At this point, there is limited historical quantitative data on the public’s knowledge of and response to beverage container recycling. The BCMB will work with ABCRC and ABCC to begin benchmarking public awareness and participation in the program, as well as consumer and stakeholder satisfaction all through a periodic public survey. This will include questions that allow the public to rate their satisfaction with the current system and indicate their participation level. Exhibit VIII-4 summarizes new external performance measures that assess the awareness, evaluation and participation objectives.

#### Exhibit VIII-4

#### BCMB public and consumer (external) measures – weighted 15%

Performance Measures and Objectives	Actual 2008	Estimate 2009	Target 2010	Target 2011	Target 2012
<b>Objective: Awareness</b>					
Percentage of individuals aware of program	n/a	90%	Develop	TBD	TBD
Number of public awareness events held*	60	81	85	90	95
Dollars spent on awareness activities**	\$5.06 M	\$5.00 M	\$5.20 M	\$5.40 M	\$5.60 M
<b>Objective: Evaluation</b>					
Overall public satisfaction rating	n/a	n/a	Develop	TBD	TBD
<b>Objective: Participation</b>					
Participation rate	n/a	n/a	Develop	TBD	TBD
Number of school and special programs* <sup>=</sup>	597	710	750	780	820

\* Includes only ABCRC events, not individual depot events.

\*\* Includes ABCRC and BCMB expenditures on awareness and other related programs.

= Includes number of schools and partners involved in ABCRC’s *Community Champions Program*.

#### E. Financial Measures

In past years, the sole financial measure was the net system cost per container defined as the total expenses of the ABCRC and ABCC less material revenues and unredeemed deposits divided by the number of containers returned. Exhibit VIII-5 illustrates the revised financial objectives and performance measures. Cost efficiency will be measured for individual container types and the overall system. Confirming

compliance with reporting requirements will ensure financial transparency.

The BCMB expects both efficiencies from the cost effectiveness initiatives and potentially increased costs as new initiatives are undertaken to target the 85% recovery rate. At this time the forecast is for a marginal increase in net system cost per container over the planning period. This is an expected consequence of the higher container recycling rates and corresponding reduction in unredeemed deposits.

**Exhibit VIII-5  
BCMB financial measures**

<b>Performance Measures and Objectives</b>	<b>Actual 2008</b>	<b>Target 2009</b>	<b>Target 2010</b>	<b>Target 2011</b>	<b>Target 2012</b>
<b>Objective: Cost Efficiency</b>					
Net system cost in dollars per unit recovered*	\$ 0.0149	\$ 0.0162	\$ 0.0173	\$ 0.0182	\$ 0.0182
Net system cost in dollars (surplus) by container type*					
Aluminum	\$ 0.0014	\$ 0.0018	\$ 0.0024	\$ 0.0031	\$ 0.0031
Bi-Metal	0.0617	0.0734	0.0785	0.0795	0.0795
Glass	0.0380	0.0386	0.0389	0.0392	0.0392
Glass (refillable)	0.0222	0.0223	0.0223	0.0223	0.0223
Other Plastics	0.0540	(0.0009)	0.0454	0.0873	0.0873
PET	0.0260	0.0291	0.0308	0.0319	0.0319
Polycoat	0.0191	0.0333	0.0425	0.0529	0.0529
<b>Objective: Transparency</b>					
System financial reporting requirements met	n/a	n/a	Complete	Complete	Complete
BCMB financial reporting requirements met	n/a	n/a	Complete	Complete	Complete
Analysis of BCMB budget variances	n/a	n/a	Complete	Complete	Complete

\* Based on ABCRC and ABCC data 2008 and 2009 data.

In the future, the BCMB may consider evaluating the costs and budget variances by geographical area. Currently, data for specific geographical areas is not available.

**F. BCMB Leadership and Governance**

In addition to the aforementioned measures of performance, the BCMB will report on its leadership in the beverage container recycling sector and the quality of its governance. The measures in this regard are:

- The results of the annual governance assessment conducted as outlined in the BCMB Governance Manual.
- The audit recommendations and the BCMB action in addressing them.