



BEVERAGE CONTAINER MANAGEMENT BOARD

Bottle Depot Viability Policy

1. BOTTLE DEPOT VIABILITY POLICY

Definitions

1. In this Policy:

“ABDA” means the Alberta Bottle Depot Association;

“Agreement” means the agreement as it exists from time to time between a Collection System Agent or Collection Service Provider and the ABDA, acting on behalf of all bottle depots in Alberta, outlining the terms and conditions for the handling and shipping of beverage containers in Alberta and as approved by the BCMB;

“BCMB” means the Beverage Container Management Board;

“Collector” means a Collection System Agent or a Collection Service Provider that is a party to an Agreement;

“Handling Commissions” means amounts required to be paid by manufacturers or collection system agents to bottle depot operators in Alberta for the handling of those empty beverage containers for which a handling commission has been set by the BCMB pursuant to the terms of the BCMB Administrative Bylaw; and

“UCA” means the Uniform Code of Accounts used by the BCMB.

Background to Policy

2. Handling Commissions are paid to Alberta bottle depots solely on a “per container returned” or “variable” rate structure basis.

3. Annual UCA data received from Alberta bottle depots suggests that smaller bottle depots experience proportionately higher “fixed” operating costs on a per-unit basis (e.g. building, utility and equipment costs) versus “variable” operating costs on a per-unit basis (e.g. labour costs) than larger bottle depots do. This difference between smaller bottle depots and larger bottle depots raises concerns about the opportunities of “stand alone” smaller bottle depots to be profitable.

4. An issue of consideration before the BCMB’s first Handling Commission Review Panel (“HCRP”) was whether fixed monthly “viability” payments should be paid to all Alberta bottle depots in order to offset a portion of their “fixed” costs regardless of the beverage container volumes processed by such bottle depots. At the conclusion of the HCRP’s first review of Handling Commissions, the BCMB determined that no fixed monthly “viability” payments would be paid to Alberta bottle depots.

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5. Historically, and in order for individual smaller bottle depots to be viable, the operators of such smaller bottle depots were expected by the BCMB to operate their bottle depots in conjunction with one or more other businesses in the same premises (“Multiple Businesses”), permitting the total fixed operating costs of such bottle depot operators to be shared by their Multiple Businesses, and permitting such bottle depot operators to rely upon revenue streams generated by all of their Multiple Businesses. For example, a bottle depot may be a sideline component of a convenience store.

6. While there continues to be turnover in bottle depot ownership in Alberta, by both smaller and larger bottle depots, there is no clear trend demonstrating that smaller bottle depots are failing at a greater rate than larger bottle depots.

7. There are some bottle depots located in remote and isolated communities in Alberta which face unique operational barriers due to the lack of all-weather road access.

Viable Bottle Depot Network

8. The Alberta bottle depot network (“Network”) is the backbone for Alberta’s beverage container recycling system. In the determination of Handling Commissions by the BCMB, primary consideration will be given to maintaining the viability of the Network.

9. In determining the viability of the Network, consideration will be given to the viability of the Network as a whole, and not to the viability of individual bottle depots in Alberta. Handling Commissions must provide an opportunity, on a Network wide basis, and not on an individual bottle depot basis, to earn a fair return, but there shall be no guarantee of profitability for individual bottle depots in Alberta. For clarification purposes, it is understood that the requirement for the BCMB to establish a viable Network does not mean that every individual Alberta bottle depot must be viable or profitable, or that a “stand alone” bottle depot will always be able to support itself.

No Fixed Viability Payments for Bottle Depots

10. As a general policy of the BCMB:

a) In order to support the viability of individual smaller bottle depots in Alberta and therefore contribute to the viability of the Network as a whole, and where it is deemed necessary or desirable by the BCMB, any particular owner or operator of a smaller bottle depot in Alberta may be required by the BCMB, at the time of their licensing by the BCMB and as a condition of their licensing by the BCMB, to operate their bottle depot in conjunction with one or more other businesses in the same premises (“Multiple Businesses”), thereby permitting the total fixed operating costs of such bottle depot

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owner or operator to be shared by their Multiple Businesses, and permitting such bottle depot owner or operator to rely upon revenue streams generated by all of their Multiple Businesses; and

b) The current variable rate structure used by the BCMB for determining Handling Commissions in Alberta will be maintained, and therefore;

i) no fixed “viability” payments to Alberta bottle depots will be implemented by the BCMB; and

ii) no fixed “viability” payments to Alberta bottle depots will be considered by the BCMB in the determination of Handling Commissions in Alberta.

Unique Consideration for Bottle Depots Lacking All-Weather Road Access

11. The BCMB will work with the Collectors and the ABDA on a case-by-case basis to review and modify procedures, where appropriate and as required, in order to address the unique operational barriers faced by operators of bottle depots located in remote and isolated communities in Alberta which lack all-weather road access.

Application of Policy to Handling Commissions

12. This Policy shall apply to the review and calculation of all Handling Commissions.