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DATE: July 20, 2018

TO: Depot Network

RE: **Service Agreement Amendment – Glass QC – Educational Phase**

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As presented at the 2017 Industry Conference in November, the Beverage Container Management Board (BCMB) has approved a new Quality Control (QC) process for the glass material streams.

**This notice is to advise all Depots of this new glass QC process that will be initiated with a 3-month Educational Phase on August 1, 2018. This phase will end on October 31, 2018.**

The new QC process will be added as an amendment to the current Alberta Bottle Depot Association (ABDA) and Alberta Beverage Container Recycling Corporation (ABCRC) Service Agreement and included in future Service Agreements.

The industry has seen large variances between the expected count and actual count as well as the amount of cullet (broken glass) in the glass bags being shipped to the Collection Systems Agent (CSA) –ABCRC. Historically, the glass QC process did not allow for the audit results to be extrapolated and for the results to be subject to the Industry Quality Control Progressive Action Policy (PAP). With this new glass QC process in place, glass audit results will be subject to extrapolation and to the PAP as with all other material streams.

To date, the glass cullet (broken glass) was not included in the Quality Control count for a shipping container, lowering the overall count. For this reason, glass was always exempt from extrapolation and from the PAP. This new glass QC process will provide expectations as well as a fair and transparent playing field for all involved.

Depots are only entitled to be paid a deposit and a handling commission for beverage containers which have been registered with the BCMB. It is important to clarify that Quality Control processes will continue to account for those products if shipped incorrectly to the CSA (Industry Standard Bottles (ISBs) or other refillable glass beverage containers), non-registered beverage containers, or other materials formally classified as Foreign Materials. The Service Agreement provides for the management of Foreign Material.

In terms of application of this QC process, monitoring will occur during regular Quality Control audits and reports will be provided to you through the Quality Monitoring System (QMS). It continues to be important that you are monitoring your industry email and QMS tickets to ensure you are receiving these communications and can react in a timely fashion and make any necessary





operational adjustments to avoid further compliance action. You put your Depot at a distinct disadvantage if you are not monitoring your accounts and receiving the industry communications.

This glass QC process will be phased in beginning with a 3-month Educational Phase. This means that all Depots will be monitored for glass material shipments, but compliance action will remain the same as at present until the Educational Phase is complete. During the Educational phase, a Depot will be informed of glass QC issues through the QMS. We are asking that Depots use the 3-month educational period to improve your operational processes and educate your staff where necessary. The industry will evaluate the effectiveness of the glass QC process during this time and work to launch the process, including compliance action, as of November 1, 2018.

Key Implementation Dates	
August 1 – October 31, 2018	Educational phase is active
August 1 – October 31, 2018	Ongoing industry evaluation of Glass QC process
November 1, 2018	Educational phase is complete and Glass QC process is active

It will be important to understand the requirements and how this may affect operations at your Depot. This process is not intended to create extra work for the Depots or make your job harder. The intent is to protect our industry and ensure there is a fair and transparent playing field for all involved. For most Depots, the result of the implementation of this By-law will be “business as usual,” whereas some may need to make adjustments to their operation and internal processes.

The Service Agreement amendment document outlining the new glass QC process is in progress and will be finalized shortly and sent to all Depots. Below is a summary of the new glass QC process.

**If you have questions regarding this Glass QC process, please contact the BCMB at 1-888-424-7671.**





**Glass QC Process**

If cullet is found in a bag during QC audit, the Net Weight of the Cullet will be converted to Deemed Cullet Count (quantity of units deemed to be contained within the cullet) at a rate of:

- i. 0.335 kg / container for glass 0-1 litre;
- ii. 0.751 kg / container for glass over 1 litre.

The Deemed Cullet Count will only be applied if a shortage exists between the Expected Count and the actual Whole Container (registered beverage containers that are undamaged, or with a chip no larger than the size of a dime) of the same CRIS Code. The Deemed Cullet Count may not exceed the difference between the Expected Count and the Actual Count on a per bag basis.

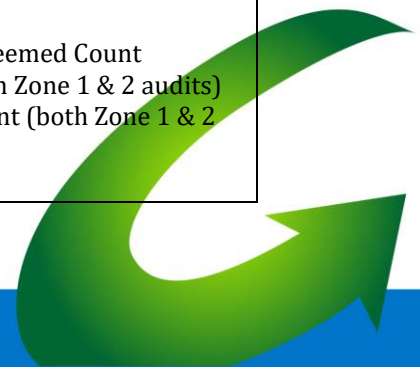
This Deemed Cullet Count will then be separated into the following “buckets”:

- i. Up to and including 4% of the Expected Count of the Shipping Container will be grouped into Bucket #1;
- ii. Over 4% and up to and including 8% of the Expected Count of the Shipping Container will be grouped into Bucket #2; and
- iii. Any quantity above 8% will be grouped into Bucket #3.

On a Shipping Container by Shipping Container basis, the sum of all the Net Weight components plus the Tare Weight (weight of all Shipping Containers including mega-bag, pallets, and boxes) shall be within +/- 1.0% of the Gross Weight. Any Shipping Container with a variance greater than 1.0% shall not be eligible for audit. Remaining Shipping Containers in any Target/Random sample group will be deemed Target/Target.

For each bag the CSA shall apply the following in converting the cullet into Deemed Count:

Bucket	Range	Outcome
1	Within or equal to 4.0%	Quantity: included as part of the Deemed Count Deposit Refund: eligible for payment Handling Commission: eligible for payment
2	Greater than 4.0% but equal to or less than 8.0%	Quantity: included as part of the Deemed Count Deposit Refund: eligible for payment Handling Commission: not eligible for payment (both Zone 1 & 2 audits)
3	Greater than 8.0%	Quantity: not included as part of the Deemed Count Deposit Refund: not eligible for payment (both Zone 1 & 2 audits) Handling Commission: not eligible for payment (both Zone 1 & 2 audits)





For each sample group the CSA shall sum the Deemed Count and the Expected Count and calculate a percent variance for the sample group. The results of the audit of Beverage Containers will be classified as either Zone 1 or 2 based upon the percentage variance from the expected count:

Zone	Range	Outcome
1	Within or equal to 2.5%	Quantity: as reported on the Shipping Container Deposit Refund: paid on expected count Handling Commission: paid on expected count, less any Deemed Count from Bucket 2 Extrapolation: Not Applicable
2	Greater than 2.5%	Quantity: adjusted to Deemed Count (by CRIS Code) Deposit Refund: paid on Deemed Count of Beverage Containers Handling Commission: paid on Bucket 1 and Actual Count of sorted Beverage Containers (by Target CRIS Code) Extrapolation: Adjustment based upon findings to be extrapolated against all Shipping Containers of same CRIS Code on the R-Bill

The adjustment process and Depot challenge process for glass QC will be outlined in the Service Agreement amendment.

