

Stewardship Plan Title: Beverage Container Stewardship Plan

Product Category: Recycling Regulation, Schedule 1, Beverage Container Product Category (BC Reg. 449/2004)

Document Title: Producers Paying the Cost of Obligated Materials and Dispute Resolution Process

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1. Commitment

BRCCC acknowledges its responsibility to pay the cost of collection and management of BRCCC containers pursuant to Section 5(1)(c)(i) of the *Recycling Regulation*: “the producer collecting and paying the costs of collecting and managing products within the product category covered by the plan”. Beverage containers under BRCCC’s Schedule 1 plan include alcohol aluminum cans and refillable glass bottles.

a. Program Funding

BC brewers pay the full costs of managing the BRCCC container recovery program. The cost for recovering the container is factored into the price of the product as any other input cost, such as labour, energy or transportation. BRCCC follows pricing protocol as dictated by the BC Liquor Distribution Branch (LDB). Brewers internalize stewardship costs into their wholesale pricing and retailers independently set the retail consumer price at their discretion, subject to liquor pricing regulations. Note that all components that make up the sale price is governed by liquor policy. Since the costs of the BRCCC system are internalized, any inefficiency in the system accrues to brewers as an additional cost. Accordingly, brewers demand that BRCCC be diligent in ensuring the system is highly cost-effective, while maintaining best-in-class environmental performance and customer service levels.

A fundamental tenet of extended producer responsibility (EPR) is that costs of end-of-life management become internalized to producers to incent product design improvements and system efficiencies with an aim to reduce environmental and financial liabilities. BRCCC’s program is operated on a cost-recovery basis and is fully funded by its brewer members participating in the program.

BRCCC finances the collection and management of containers from three sources; fees from brand owners/producers for each container supplied into the market, unredeemed deposits and revenues made from the sale of recyclable material. From these revenues, the BRCCC, through its service provider, Brewers’ Distributor Ltd. (BDL), pays container collection partners for collection of containers and arranges for the transportation and preparation of cans for recycling and bottles for refilling. Since the value of unredeemed deposits and sale of recyclable material are insufficient to cover the full cost of management of BRCCC’s obligated materials, additional fees are collected from brewers and adjusted on an annual basis to cover all system costs. Each container type is tracked and reported independently to ensure there no cross-subsidization between material streams. BRCCC’s revenue streams and expenses are published in its Annual Report which includes independently audited financial statements and the Independent Auditor’s Report and made available to the public and interested stakeholders. Note that BRCCC follows financial accountability rules under the *BC Societies Act*.

The BRCCC Board of Directors meets on a regular basis to review program performance, audited and projected material revenues, unredeemed deposits, producer costs, container fees, service levels and environmental standards and measures. Any system cost increase is addressed by increasing producer fees. There are no additional consumer fees added to the product price at the point of sale.

2. Overview of Collection Services

BRCCC's collection system utilizes the brewers' distribution and retail networks, which optimizes efficiencies through return empty container trips coordinated with full goods deliveries thereby significantly reducing greenhouse gas emissions. As such, reverse logistics through return-to-retail remains a vital component of the BRCCC system.

BRCCC provides a range of return location options to consumers in BC which include all BC Liquor Stores (GLS), licensee retail stores (LRS), rural agency stores and selected depots. BRCCC, through BDL, has individual contracts with its collection system partners based on the agreed services provided.

BRCCC is also in active discussions with Recycle BC and Encorp Pacific to address concerns regarding program containers incidentally being collected into their respective programs. This includes identifying consumer awareness opportunities to ensure that British Columbians are engaging with the respective programs to reuse and/or recycle products the way in which they were designed.

a. Types of service agreements

BRCCC has an agreement with the LDB regarding the collection of empty beer containers. As a matter of general business practice, BC Liquor Stores have a flexible and varied return system and often accommodate more than the regulatory limit of 24 containers per customer per day in many locations.

BRCCC also has over a hundred contracted LRS locations in which the majority accept unlimited returns from customers. BC consumers continue to express significant support for the convenience of being able to return their empty containers to the retail locations where they make their purchases. For this reason, BRCCC continues to place priority on contracting with retail locations that offer unlimited returns for BC consumers.

In locations where a retailer or retailers are unable to accept the return volume of the local population (usually due to population size or growth) BDL will then consider granting a depot license to fill the service gap. When selecting depot locations to act as collectors, BRCCC places priority on contracting with locations that already serve multiple stewardship programs to maximize consumer convenience. However, all drop off location choices are based on filling service gaps and appropriate fit as described in the following section. Locations are added as performance targets necessitate.

In addition to maintaining a comprehensive return collection network, BRCCC will continue to seek alternative drop off locations as the need may arise. These alternative sites may provide an opportunity to facilitate unique partnerships including but not limited to, service groups, mobile collection options and legions.

Through BDL, BRCCC enter legally binding, detailed commercial agreements with all of its authorized collection sites (LRS, GLS, bottle depots) as well as its processing (recycling) partners.

Depot contracts include service provisions for three general types of depot activity:

- (1) standard depots (public facing depots accepting back containers for BRCCC, which do not process or consolidate material)
- (2) processing depots which densify/bale aluminum from other locations as well as any volumes they themselves collect, and
- (3) consolidation depots which collect and stage returned containers from feeder standard depots until full shipping quantities are gathered to be sent out.

A single depot location may provide one or more of the services listed above.

New contracts are awarded to depots based on system coverage requirements and have a term of 5 years. All service providers (depots, consolidators and processors) are contacted at minimum one year prior to contract expiry to restart renewal discussions.

In 2018, BRCCC updated its standard form of contract with its depots. All contracted locations recommitted to servicing the container recovery program. As current five-year contracts will come to an end of the term in mid-2023, BRCCC has initiated contract renewal discussions in the past year. BRCCC added a new Field Services Manager who is responsible for facilitating network discussions and provides additional dedicated 'on-the-ground' support for depots. BRCCC's contract renewal process provides the opportunity for current and future collection and processing partners to revisit and address specific service needs.

b. Authorized location siting criteria

For the purpose of meeting BRCCC's accessibility target stated in its Schedule 1 stewardship plan, the collection network of government liquor stores (GLS) stores, licensee retail stores (LRS), rural agency stores and selected depots will be considered in accordance with the outlined criteria.

BRCCC aims to balance the number of sites required to achieve high performance objectives while ensuring its services systems remain cost effective. Reverse logistics increases efficiencies both environmentally and economically, making BRCCC the only beverage container stewardship program to coordinate with full goods deliveries with empty container return trips by utilizing the brewers' distribution and retail networks.

Note that an unlimited return location is defined as a contracted depot or LRS contracted to collect more than 24 containers per day per customer based on Section 6(2) of Schedule 1 of the Recycling Regulation. An authorized return location is a GLS, LRS, rural agency store or contracted depot.

In determining whether a non-contracted depot or LRS shall be contracted as part of its unlimited collection network, BRCCC considers the following criteria:

- number of unlimited return locations available in the Regional District;
- patterns or changes of population growth;
- relocation or closure of an authorized return location which requires the area's coverage to be re-evaluated;
- geographical barriers that prevent customers from conveniently being able to make returns;

- any other criteria that the BRCCC considers relevant in order to maintain accessibility of its collection network, including but not limited to, public transit and accessibility for people with disabilities.

c. Application process

Any non-contracted depot or LRS is welcome to apply for a contract to provide unlimited returns at any time. BRCCC makes application forms available on its website. BRCCC reviews formal contract applications from a non-contracted depot or LRS on an ongoing basis and will formally respond with a decision at the latest to coincide with the timing of its annual coverage review.

If an application is accepted, then BRCCC will notify the applicant and send a draft contract for the applicant to review. If an application is declined, then BRCCC will provide a written explanation of why a location does not meet the siting criteria. If a contract is not awarded in any given year, BRCCC will log the request should future circumstances change and further coverage in the applicable area is required.

Note that contracts are non-transferrable to a different location or business entity and are subject to consent from BRCCC.

d. Selection process and annual coverage review

In determining the appropriate system coverage, BRCCC utilizes geographic information systems (GIS) technology to identify potential service gaps as it pertains to container return locations. If a particular area of the province is under-served, BRCCC will identify a licensee retail store, bottle depot or other collection partner in that area and contract their collection services to ensure there is sufficient coverage at all times throughout the province. In smaller communities with a population of 4,000 or less the retailer is often an LDB agent and will accept all container returns from consumers.

An application may be denied under the following circumstances, among other considerations:

- The applicant engages in fraudulent stewardship activities;
- The applicant participates in hostile activities that impact BRCCC's program operations, performance and/or reputation.

Applicants are expected to share any immediate concerns directly with BRCCC and to work cooperatively with BDL, as well as other service providers.

As previously mentioned, BRCCC prioritizes reverse logistics in its collection system which means it combines full goods delivery of beer to bars, restaurants, other on-premise licensees and retail locations with the pick-up of empty returns to create efficiency. The brewers' successful collection network predates any existing recycling regulation and continues to be built on maintaining a high-performing, environmentally efficient and cost-effective system.

'Discounting' may occur when a customer brings their empty alcohol cans or refillable bottles for deposit refund at a depot that is currently not contracted with BRCCC. Some customers may also choose to visit these unauthorized locations out of preference notwithstanding the costs to them for doing so.

Rather than informing customers of where their nearest authorized location is to receive a full deposit refund, a number of non-contracted depots have in some cases chosen to accept these containers and arrange for them to be returned to an authorized location while 'discounting' a portion of the customer's deposit to compensate for their handling. Note that select depots have chosen to continue to discount the customer's deposit despite being offered a contract with BRCCC. BRCCC acknowledges that some non-contracted depots also choose, as a matter of customer service, to not discount their customers' deposit despite not having an agreement with BRCCC.

While BRCCC contracting with all depots may not address all instances of 'discounting', the more important and definite result of potentially contracting all depots would be the decreased efficiency of the recycling system of beverage alcohol containers due to a decrease in the backhauling of empty containers through existing, efficient transportation logistics and such less efficient system would not necessarily result in more containers being recovered. BRCCC ensures high customer accessibility where 80% of the BC population are within a 10-minute drive of an authorized location while also providing customers a variety of return options to receive their full deposit for empty beer containers.

BRCCC will continue to work hard to mitigate any consumer deposit discounting by expanding the number of collection points in accordance with its siting criteria to ensure convenient and comprehensive network of drop off sites, that are within the 10-minute drive threshold for 80% of the BC population.

While customer experience and convenience are important to BRCCC, it must also ensure its collection and processing network does not create redundant services between collectors resulting in overall system cost increases due to inefficiencies. BRCCC works to balance service convenience, program performance and overall cost efficiencies. BRCCC has also made consumer awareness commitments to ensure customers are aware of authorized return locations where they can receive a full deposit refund.

BRCCC will perform a program coverage review annually to assess any key changes in its return network and any new inquiries pertaining to its program performance in specific areas. In addition to mapping BRCCC's program coverage using GIS, BRCCC also reviews the number of returns per capita and population per contracted site by regional district. This helps to identify key priority areas for additional coverage if needed and/or if there are areas that require closer monitoring. As mentioned, BDL will keep depot applications on file should additional coverage be required in the future. This avoids the need for depots to apply on an annual basis. If a depot is not awarded a contract in any given year, a one-time written explanation is provided by BRCCC; however, if a depot wishes to provide updated information, then they may contact BRCCC to update their application.

BRCCC may also issue a request for information to potential service providers for future siting to gain a better understanding of service capabilities and costs to collect and manage products covered under BRCCC's stewardship plan.

3. Compensation Methodology

In a market economy negotiation between parties determines the prices at which value is exchanged. In EPR based supply-chain agreements where there is open negotiation in good faith, service providers negotiate prices at which they can provide services to both cover their cost and make profit while producers and their agents seek best value in terms of environmental effectiveness and efficiency (as reflected in part in price).

The objective of the contract negotiation process is for each party to be satisfied with the rights and obligations assigned to them and to help ensure that the terms of the agreement are favorable for both parties to reduce any possible risks.

Accordingly, BRCCC's compensation methodology involves reaching an agreement with its collection partners through a contract negotiation process. As described above, contract negotiations between parties is the preferred process by which BRCCC and the collection partner (LDB, LRS, depot) seek to reach a legally binding agreement on the terms and prices of services provided.

A further benefit of contract negotiation is that it removes the complexity and risk associated with third-party involvement and allows existing and potential service providers to engage directly with BRCCC to address any concerns. Specifically, BRCCC will provide a draft contract to individual depot partners based on the services they provide. Since BRCCC's current contract provisions do not set territorial boundaries, BRCCC may consider a competitive bid process for collection services if required. This methodology encourages market competition, innovation and drive for operational efficiency.

Prior to drafting the contract, BRCCC will engage existing and potential service providers through in-person or virtual meetings, webinars or surveys that invite feedback on any and all key issues. BRCCC will provide its stakeholders an understanding of how it arrived at its proposed fees rather than presenting set fees or a fee structure. The result of this methodology is proven successful when an agreement between both parties is reached.

a. Basis of compensation

For BRCCC contract negotiation process is by default the methodology for basing compensation. Pricing is central to the contract renewal process and does not include a presentation of fees or a fee structure. Rather BRCCC provides for an opportunity for a counter-party to deliberate over the provisions of the contract with the intent to reach an agreement on price and terms based on the services required by producers.

Since BRCCC does not ask service providers for their financial information to base cost assumptions, it is the responsibility of the service provider themselves to provide input on the provisions of the contract including proposed pricing during the deliberation period. In preparing a price proposal for negotiations BRCCC will give consideration to:

- Current and historical fees for each product category as baseline
- Fee change requests obtained from service providers during initial engagements prior to the negotiation process

- Provincial handling rate and system comparisons across Canada using published data
- Consumer Price Index and inflation trends using forecasts from BC Stats and Statistics Canada
- Provincial labour costs and wage increases across BC industries using BC Bargaining Database

BRCCC will work with stakeholders to respond to any questions on how it priced its proposed fees and will make adjustments if issues raised are valid. It is important to note that any BDL-specific services, such as keg handling, that do not relate to the products covered under BRCCC's stewardship plan are addressed directly with BDL. Understanding that each depot will have their own individual concerns and needs specific to their business, this methodology aims to encourage system flexibility to drive operational efficiency and optimized environmental performance.

b. Contract Negotiation Process

BRCCC initiates discussions with service providers early in the negotiation process to establish the basis of compensation, address questions and to avoid any significant changes once the contract is drafted. BRCCC has also considered comments from historical negotiations to help ensure a fair and transparent engagement process. As each party has its own principles and objectives surrounding issues such as risks, liabilities, and potential outcomes, both parties will be able to deliberate over the contents of a contract should a party wish to suggest changes to the terms offered, correct or clarify language, or if the language does not support all their objectives.

Should a collection partner need help interpreting the contract's language, BRCCC will help to provide any needed clarifications. Once concerns and/or suggestions have been tracked in the draft contract, a redlined version of the document will be returned to BRCCC to address further changes. This document will continue to circulate among both parties and the process is completed once there are no further changes to be made. At this point, the contract is ready for execution by both parties. This process will occur over a minimum of 60-day period to ensure each party has sufficient time to thoroughly consider comments and/or to deliberate over the provisions of the contract before reaching a final agreement.

Note that processes specific to each collection partner type are outlined below.

LDB

BRCCC works directly with the LDB to reach agreed terms for container and packaging services.

LRS

BDL may work directly with LRS owners on the terms of the operating agreement or through partnership with B.C.'s Alliance of Beverage Licensees (ABLE) to provide additional outreach and to coordinate system level feedback from LRS members.

Depots

The objective is to finalize contract terms between BDL and depot partners, both existing and potentially new partners. All contracts outline the responsibilities and roles of the depot, schedules of payments and payment terms and general business obligations such as insurance and assignment. Contracts also include provisions that deal with audit and inspection rights, representations and warranties, communication between the parties, the contract term and the termination rights of both parties. Dispute resolution is covered in a separate section of the contract.

Contract terms generally are five years in length with an automatic renewal for an additional year unless advance written notice by either party is provided within the required timeframe of 180 days. Contract term duration may be adjusted as needed according to the agreement by the parties.

A Depot Guidebook which provides more detailed information and operational instructions is included as an Appendix to the contract and intended as a day-to-day reference for depots.

In addition to a draft contract, service providers are provided with a description of minimum service standards and associated handling or management fees. All collectors, as part of their obligations in servicing the program, agree to a spot audit for the purposes of measuring quality control.

4. Consultation Process with Interested Parties

BRCCC's amendment on Producers Paying the Cost of Obligated Materials and Dispute Resolution Process will be publicly released for a minimum 45-day formal consultation period. BRCCC will schedule a series of online meetings at various times to provide several attendance options to allow stakeholders to ask questions and provide feedback throughout this period. MOECCS staff will be invited to observe these meetings. BRCCC will also try to accommodate in-person meetings if requested. The consultation document will be posted publicly on BRCCC's website.

Key stakeholder groups who will be invited to this consultation include the following:

- BC Liquor Distribution Branch
- LRS locations. BRCCC is coordinating with ABLE to help provide outreach to LRS members
- All depots, both existing and potential new partners

Stakeholder groups will have the opportunity to share their comments and concerns to determine their satisfaction with the methodology described. Once feedback is received, BRCCC will provide a summary of perspectives, issues raised and changes to this document as a result of the consultation. BRCCC will follow-up directly with stakeholders on how feedback was addressed as required.

BRCCC remains open to opportunities to promote program awareness and to ongoing stakeholder input from all parties to demonstrate that producers who appoint BRCCC as their stewardship agency are collecting and paying the full cost of collecting and managing products. Contact information is provided on BRCCC's website or stakeholders can contact BRCCC representatives directly.

5. Dispute Resolution

Return locations play a pivotal role in ensuring positive consumer experience and overall program performance. If a return location is found to be in violation of its contractual commitments or legal obligations, BRCCC will take appropriate measures within the terms of its agreements to rectify any issues and to ensure compliance with existing provisions. All BRCCC agreements with the LBD, LRS locations, standard depots, consolidation agents and processors include dispute resolution terms and procedures.

For standard depots, consolidation agents and processors, the dispute resolution process is contained in a separate schedule in the agreement which outlines the escalating steps to be taken in the event that a dispute arises. If a dispute is unable to be resolved during the initial notice period then either party may initiate mediation of the dispute in accordance with the National Mediation Rules of the ADR institute. If the dispute cannot be settled within the indicated duration period when a mediator has been appointed, then the dispute shall be referred to and resolved by arbitration under the National Arbitration Rules of the ADR Institute.

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