

Western Canada Used Oil/Container/Filter Task Force

Product Stewardship Proposal

June 1, 1994

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A. Executive Summary

A.1 Oil and oil filter manufacturers and marketers recognize their product stewardship responsibility.

The oil and oil filter industries recognize that they have the primary responsibility to exercise active product stewardship throughout the life cycle of the products and containers they either manufacture or market in Canada. A group of industry stakeholders formed the Western Canada Used Oil / Container / Filter Task Force to determine how to best address this responsibility.

The Task Force considered several options including deposit refund systems, and mandatory return systems similar to that in effect in British Columbia for the return of used oil. The Task Force is recommending a return program for used oil, oil containers and oil filters to encourage environmentally responsible disposition of these materials. The heart of the program is an Environmental Handling Charge (EHC) to apply to most sales of new oil and filters. It is anticipated that this dynamic EHC will be reduced or eliminated over time as the value of the recovered materials increases.

A.2 The program can be briefly summarized.

Each litre of oil, each oil container, and each oil filter will have an Environmental Handling Charge (EHC) applied to it at the manufacturer, wholesaler, major retailer or importer level. The EHC will be paid into a fund managed by the industry stakeholders through a "not for profit" Industry Funding Organization (IFO). The EHC will be recovered from the user (customer) at the time of sale.

The IFO will establish the EHC rates and administer the day-to-day operation of the system in compliance with guidelines approved by its Board of Directors composed of members of the industry stakeholders.

The IFO will pay collector/transporters and/or processors for the amount of material properly returned. The collector/transporters will compete for the used oil, containers and filters available from the generators and return depots.

In turn, it is expected that greater amounts of used oil, containers, and filters will be collected from retail customers, without the need for mandatory "return to retail" provisions.

This is NOT a deposit/refund system.

Each provincial government must give the industry the authority to discharge its responsibilities.

B. Basic Goal

B.1 It is our goal to design and manage a system that encourages responsible environmental handling and disposal of our industry's products and containers through the exercise of active product stewardship which includes programs providing landfill diversion and recycling of used oil, oil filters and oil packaging materials using environmentally acceptable options. Such a system shall be designed to achieve the optimum combination of:

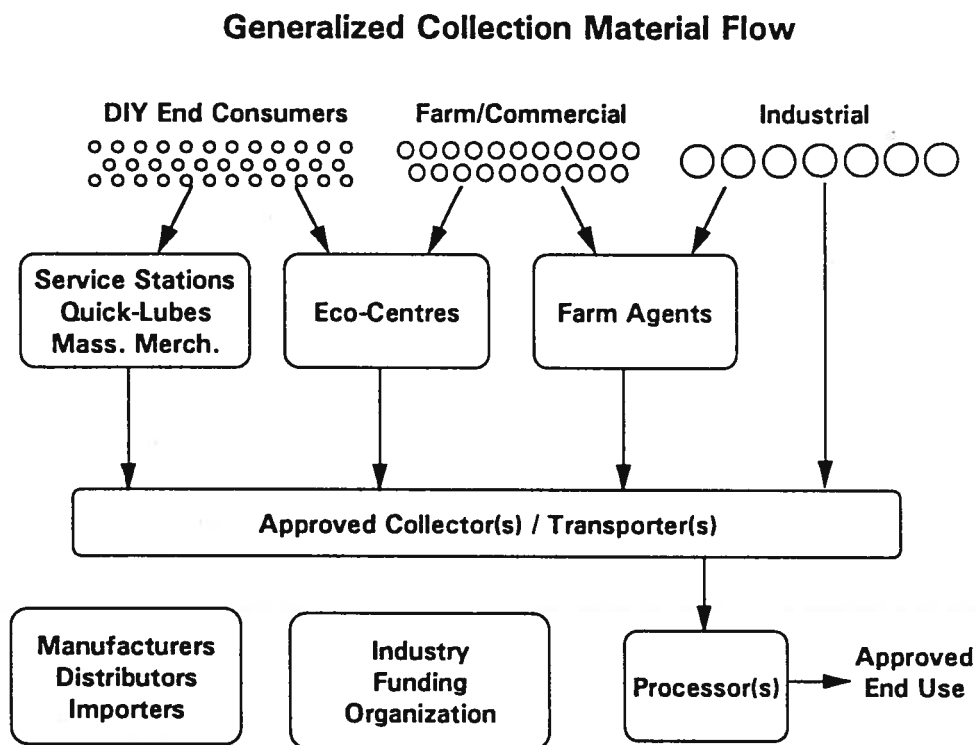
- Efficiency.
- Effectiveness.
- Fairness to consumers and industry stakeholders.

C. Principles that apply to Oil, Filters and Containers

C.1 Material must flow from the generators to an "Approved End Use".

The simplified diagram in Figure 1 illustrates the desired flow of material from the generators (Consumers, Farm/Commercial and Industrial users) through the collection network of return depots and collector/transporters to processors for re-use.

Figure 1



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C.2 Independent Return Depots are encouraged.

A significant feature of this proposal is the existence of the independent return depots (independent of manufacturers and marketers of the products). These independent depots are identified as "Eco-Centres" in the diagrams (see I.3 for a complete definition). They may be existing recycling depots with oil/filters/containers added. This should lead to convenient "one-stop" recycling centres for consumers. Because these return depots do not directly profit from the sale of the oil and filter products they require another economic drive to exist.

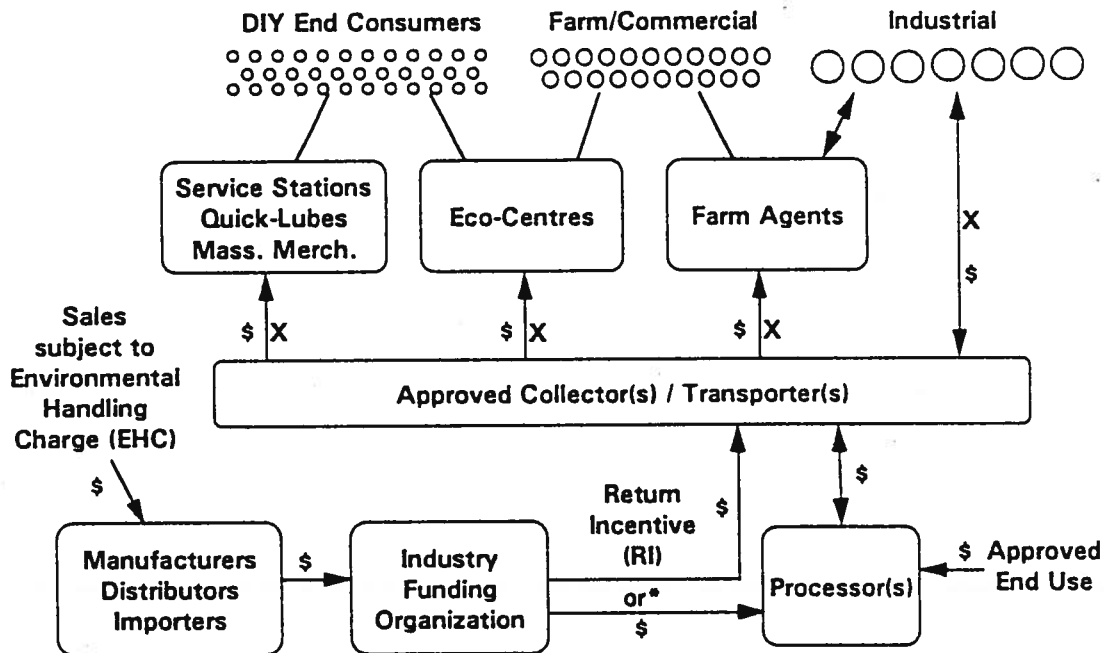
C.3 Funds flow is reversed in comparison to existing recycling economics.

The simplified funding model in Figure 2 illustrates the proposal of the Western Canada Task Force. It features an Environmental Handling Charge (EHC) to be collected on all collectable sales of oil (and applicable containers) and filter products. The EHC will be collected by licensees of an Industry Funding Organization (IFO). The funds generated by the application of the EHC are administered by the IFO. The IFO stimulates the return of

material by providing a Return Incentive (RI) to collector/transporters or processors. The RI will supplement the income from the end use so that the total will be high enough that the collector/transporters will pay return depots in order to have access to the material that they collect. This will give the return depots the economic drive that they require. There is no required payment to DIY end consumers.

Figure 2

Generalized Collection Funding Flow



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* The IFO will pay the return incentive (RI) to the collector(s) / transporter(s) or to the processors depending on the particular material.

C.4 Collector/transporters may not charge generators nor return depots for normal pick-ups of any of the three waste streams.

Collector/transporters may pay the return depots or generators a fair market price, but they cannot charge ("X" on Figure 2).

A normal pick-up is defined as any where the materials fall into the normally expected or on-specification category (described as all those accepted by the processors without any additional charges or debits).

Payments/charges for pick-ups other than normal pick-ups will be negotiated between the collector/transporter and the generator or return depot.

Any abnormal pick-ups (distance/time) will be dealt with on an exception basis by the IFO, collector/transporter and generator or return depot.

C.5 The funding model is based upon universal product stewardship.

All players shall be equally responsible for their proportionate piece of the overall problem. All industry stakeholders to be treated fairly and there will be no exceptions. Any product and container exemptions are to be for valid reasons and will apply to all industry stakeholders.

C.6 Users pay for the system.

The user of any product must be the one that pays for the costs of responsible disposal of that product, but the system must ensure that the user pays once only (no double billing). User is defined as the one in possession of the product at the time it is turned from a new product into a used product.

C.7 Governments must support the system if it is to be successful.

- a) Government to support the EHC system by enacting enabling legislation or regulations that may include:
 - empowering the IFO (see G.4 and C.22 below).
 - setting requirements of EHC collection.
 - prohibiting improper disposal, supported by fines.
 - setting standards/licensing requirements for collector/transporters and processors.
- b) Government is primarily responsible for creating the broad shifts in societal attitude and behaviour required for program effectiveness (see C.9 below).
- c) Government is also responsible for taking corrective action to eliminate identified individuals or companies in non-compliance (see C.18 below).
- d) Government will continue to control the acceptability of processing options (see C.19 below).
- e) Government to financially support this system through refundable grants until EHC funds become available (see G.4i below).

C.8 The EHC amount is to be based on recovering the costs of operating the system.

The EHC rate will be based on the true cost of proper recycling or other resource management utilizing the best available economically practicable technology of the day. The EHC rate will float with impacts of changing economics, technology and market competition within the recycling industry. The system must contain a reasonable profit margin for collector/transporters and processors involved in the system infrastructure.

C.9 Public awareness/attitudes/behavior must shift to maximize return rates.

- Governments are primarily responsible for creating the broad shifts in societal attitude and behaviour required for program effectiveness.
- IFO may fund awareness advertising for the launch of the program.
- Industry stakeholders are (individually or collectively) responsible for the provision of supporting point-of-sale information.

C.10 EHC funds are to be dedicated to their intended purpose.

All EHC funds collected will be dedicated specifically to the solution of the environmental issues associated with the products to which the EHC is applied. The application of the funds is to be fairly distributed across market segments in approximate proportion to the contributions of each segment.

C.11 EHC funds are to be collected and managed by industry.

Collection and administration of any EHC funds collected will be managed and controlled by industry stakeholders through a "not for profit" Industry Funding Organization (IFO).

C.12 National harmonization of policies is to be encouraged.

- Implementation of this program may vary by province as required to adapt to the local situation. Nevertheless, the objective is to have as consistent a program as possible across Canada.
- Uniform Western Canadian EHC fund/return program management will be retained as a medium-long term goal. Implementation will begin province-by-province on the understanding that the provincial implementation must be consistent with the principles identified by the Western Canada Used Oil / Container / Filter Task Force.
- A uniform EHC amount across Western Canada will be retained as a goal. The practicality of achieving this goal will depend on the financial requirements of each province's return program. This must be worked by the individual provincial committees.

C.13 EHC funds are to cover full costs of material collection from users.

- a) An efficient and effective return infrastructure for collecting DIY (see I.2) material must be established (eg. Eco-Centres).
- b) The RI must be set to cover the costs of operating the Eco-Centres, and to give their operators a reasonable margin in a mature system. The RI must also cover all costs of "normal pick-ups".
- c) Industrial and other customers will have access to the same RI as the Eco-Centres.
- d) The EHC will be adjusted to provide funds to pay all RI and other costs.

C.14 The Return Incentive (RI) will vary by geographic zone where required to defray higher collection costs (related to transportation) from more remote areas.**C.15 There may be some subsidies from the EHC fund directly to the "Eco-Centres" to assist with start-up.**

While the DIY return rates are low (in the early years of the program) the fixed costs of operating the Eco-Centres may not be fully covered by the RI (eg. amortization of capital costs). At the same time, the income from the EHC collected from the DIY customers will exceed the total RI paid to the Eco-Centres. During the start-up years, the program may be balanced by direct subsidies (payments) to Eco-Centres as determined by the IFO. This subsidy is expected to be as small as possible.

C.16 EHC to be applied at the first sale to a person or organization who is not a licensee of the provincial Industry Funding Organization (see G.4b).

In effect, this means that the EHC will usually be applied at either the manufacturer (ie. filler), or at large retailers/distributors (at their option), or at the point of importation (including end-users who import for their own use).

C.17 To facilitate the free market economic drive, a minimum of two recycling or waste management companies should be in business in each significant geographic area.

C.18 Good enforcement of the system will be required.

- Regulations requiring participation in the system must exist.
- The industry recognizes a responsibility for identifying individuals and companies in non-compliance.
- Government is responsible for taking corrective action to ensure compliance.

C.19 All processors that are properly licensed by the governing authority will be accepted.

- Governments will continue to control through processor licensing.
- Processing requirements will change with social norms.

Reasoning:

- One industry should not control another.
- Selection and/or control of processing by IFO may incur liability.
- Our management system must be "simple".

C.20 The enabling regulations for this program will be reviewed automatically at least every five years and will be amended as required.

The requirement for automatic review must be incorporated into the enabling regulations.

Markets for the recycled products may become strong enough that this program is no longer required.

As more sophisticated and comprehensive return programs are introduced the need for this one may be lessened.

Once this program is implemented it is likely that improvements will be made on an ongoing basis.

C.21 EHC generated funds are not to be used for R&D in the initial implementation.

The Western Canada Advisory Board (see G.3) may reconsider R&D funding in the future, if appropriate.

C.22 The IFOs and Western Canada Advisory Board must be protected from liability through the enabling legislation/regulations.

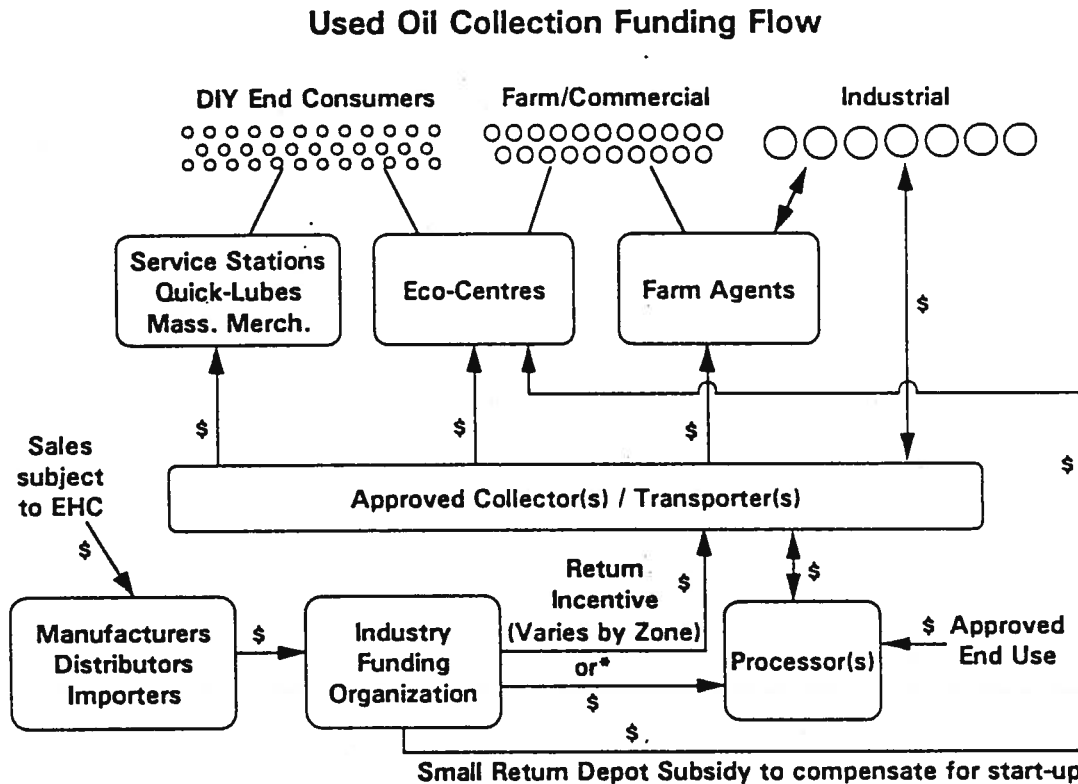
The IFO will also need to be protected from liability in their relationships with return depots, processors, generators, and collector/transporters.

The IFO will maintain a reserve fund to assist the Eco-Centres in dealing with uncontrollable contamination of collected material.

D. Principles Specific to Used Oil

- D.1 The proposed used oil funding model follows the generalized funding flow model with some specific modifications for used oil.

Figure 3



* It would be preferred to have the IFO pay the return incentive to the collector(s) / transporter(s), but the IFO may pay the processor if they choose.

The following points are provided to further explain the proposed funding model:

- a) Most oil sold in all market segments will be subject to an Environmental Handling Charge (EHC)(see D.2 below), and then all market segments will benefit equally from return incentives from the EHC fund. Initial estimates of the required EHC indicate that 5 cpl is appropriate. This estimate is subject to confirmation and adjustment by provincial IFOs.
- b) The principal flow of funds will be a Return Incentive (RI) to the collector/transporters and through them to the processors (if required) and to the return depots. The funding will be on a "cents-per-litre" basis. It is this payment from the collector/transporters that gives the Eco-Centres the economic drive to exist.
- c) The Eco-Centre subsidy (see C.15) is shown at the right edge of Figure 3.
- d) The RI will vary by geographic zone where required to defray higher collection costs (related to transportation) from more remote areas.

D.2 All oils available for collection will be subject to the EHC.

Oils will be included if they are available for normal collection unless there is a specific reason for exempting them. All excluded oils will fall into one of two categories:

- Oils totally consumed in process.
- Oils requiring abnormal special handling.

Examples of oils to be exempted are below:

Export Oil Sales	Chain Oils and Rock Drill Oils	Process Oils
Grease	Two Cycle Oils	Marine Oils
Metal Working Oils	Electrical Insulating Oils	Rust Preventatives
Form Release Oils	Saw Guide Oils	Way Oils
Textile Oils	Rolling Oils	etc.

The fact that an oil is exempt from the EHC system does not absolve the manufacturers of these oils from adequate product stewardship of these oils.

D.3 The collector/transporter is the preferred recipient of the Return Incentive (RI).

The Task Force prefers that the RI (the principal funding) should be paid to the "Collector/Transporter" instead of the "Processor", however, the IFO will have the option of paying the RI to the "Processor" if they choose. Some of the points raised are listed below:

In favour of payments to collector/transporters are the following arguments:

- i) Would facilitate the administration of return incentives that vary for different geographic areas to offset large transport costs.
- ii) Possibly, increased market competition as there would almost certainly be more than one collector/transporter in all geographic areas, while there may be only one processor in some areas.
- iii) Possibly, fewer inter-provincial trade issues.
- iv) Possibly, fewer disputes with the Industry Funding Organization over water content in the used oil, as the processor will tend to act a referee on water content.

It was noted that certificates from processors confirming that the used oil has been managed in a proper manner would be required in order for the collector/transporter to receive a payment from the fund.

In favour of payments to processors are the following arguments:

- i) Processing (recycling) collected materials will be the greatest challenge.
- ii) Processing requires the largest capital investment.
- iii) Generally processors are larger, well managed companies.
- iv) Ensuring feedstock supply is critical to processors operation.
- v) Industry position requires a minimum of two processors in each market.
- vi) Simpler administration because fewer in number.

D.4 A deposit/refund system for used oil is unacceptable and has been rejected.

A deposit/refund system would encourage the use of "extenders" in the used oil (eg. water, solvents). This was reviewed and rejected in 1991 (Montreal meeting).

D.5 Those with approved on-site used oil disposition for self generated oil to get registration numbers and credits from the EHC fund.

Records of volumes of oil generated, collected and managed on-site must be available.
The IFO will develop this further.

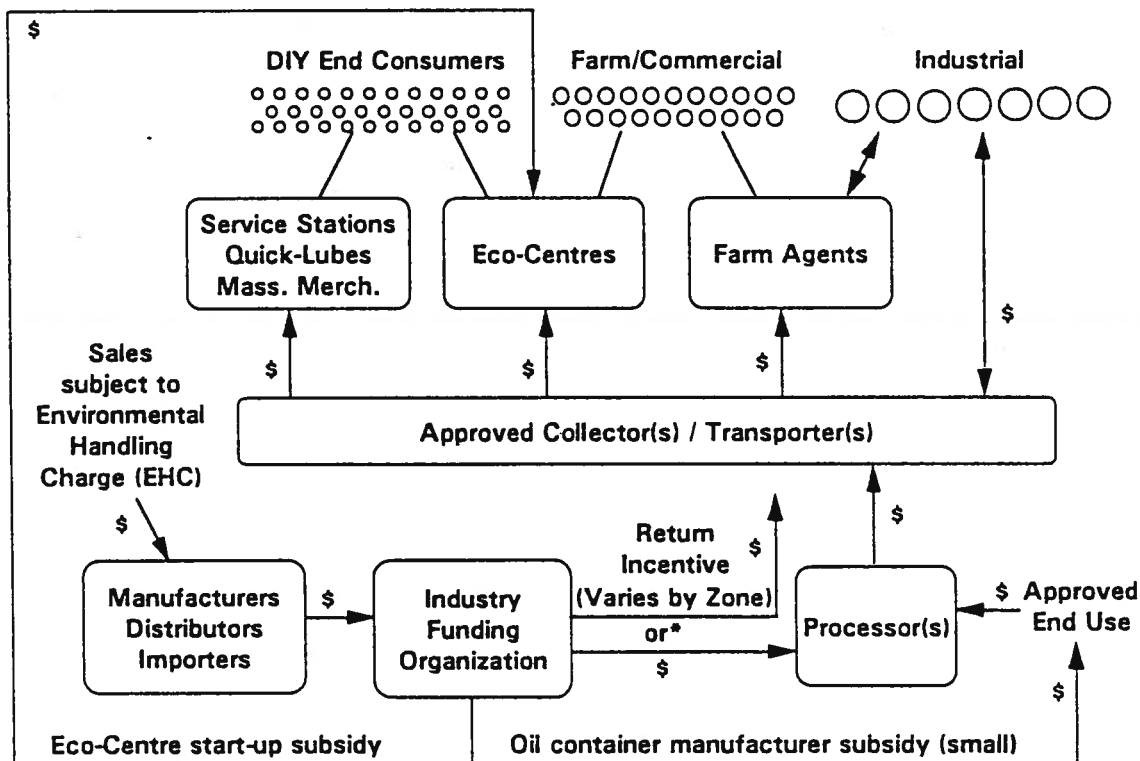
E. Principles Specific to Oil Containers

E.1 The EHC is to be based on full containers sold (ie. fillers of oil), not on empty packages (ie. package manufacturers).

E.2 The proposed container funding model follows the generalized funding flow model with some specific modifications for containers.

Figure 4

Container Collection Funding Flow



* It would be preferred to have the IFO pay the return incentive to the processor, but the IFO may pay the collector(s) / transporter(s) if they choose.

The following notes have been prepared to aid in understanding Figure 4.

- a) The flow of funds from the processor(s) and from the collector/transporter(s) is based on market forces. The processor (or collector/transporter) receives a Return Incentive (RI) based on the volume of containers processed. This gives the processor an incentive to attract more containers in competition with other processors. Therefore the processor will pay the collector/transporter(s) for bringing containers to him. The collector/transporter, in turn, will pay the Eco-

Centres and other return depots and generators for the containers he collects as he is in competition with other collector/transporters. It is this payment from the collector/transporter that gives the Eco-Centres the economic drive to exist.

- b) The preference is for the IFO to pay the RI to the processors. However, the IFO may pay the collector/transporters if the IFO determines that this is more appropriate.
- c) There may be additional funding required to assist the Eco-Centres in starting up (see C.15 above). It is shown at the left of Figure 4.
- d) In order to encourage the development of "closed loop" recycling, subsidies may be provided to oil container manufacturers. These subsidies are to be as small as possible.
- e) The RI paid to the processors (or collector/transporters) will vary based upon the geographic zone where the containers are collected (see C.14).
- f) Initial estimates of the required EHC indicate that 5 cpl is appropriate (can vary with container size). This estimate is subject to confirmation and adjustment by provincial IFOs and is based on a "per kg" calculation.

E.3 All containers less than 30 litres will be covered by this program.

For the purposes of ultimate regulations, the definition "all containers less than 30L" will be used to ensure that all "20L pails", including those of just over 20L in capacity would be included. Approved out-of-province processors must be eligible for all funding. All marketers will have the option of operating their own deposit/refund program in addition to the EHC/RI system. Exemptions for deposit/refund programs may be considered by the Western Canada Advisory Board (see G.3) in the future, but initially there will be no exemptions.

E.4 Lubricant containers 30 litres and larger will NOT be included in the program, at least at the start.

All lubricant containers should be properly managed, but it was felt that tackling the keg and drum issue now would not provide good value for time spent. There are only a few containers 30L and larger going to landfill or improper disposal today.

E.5 Containers for aftermarket additives, windshield washer fluid, engine coolant and other related but non-lubricant containers will not initially be included in this program.

These containers must be added to this program later. For clarity, it is intended that ATF containers would be included in the initial program, but brake fluid containers would be added later.

The Western Canada Advisory Board must initiate discussions with industry stakeholders representing these products.

E.6 All materials of construction (not just plastic) are to be included in the return program funding system.

Metal, fibre, and other containers are within the scope of this work, but as virtually all containers today are plastic, plastic is the focus of the initial effort.

The IFO will handle containers made from other materials on an exception basis in the interim.

E.7 There may be an oil container manufacturer subsidy to encourage market development.

There may be small supplementary funding to encourage "Item 1" plastic disposition outlets (see list below). The amount of this funding is to be controlled by the IFO. Acceptable plastic disposition options are listed below:

- 1) Extrusion (injection, blow molding, etc) for oil containers.
- 2) Extrusion for other purposes.
- 3) Compression/form molding.
- 4) Energy recovery.

It may be necessary to revisit the need/desirability for supplemental funding of thermal recovery if the IFO deems appropriate.

The oil container manufacturer subsidy is intended to only remove the dis-incentive to using oil container post-consumer resin (PCR) - not to provide additional profit to the oil container manufacturer. The intent is to ensure adequate volumes of consumption of oil container PCR.

E.8 The EHC could be set to provide an economic drive to "lowest cost to re-process" packaging.

This may include providing drives to containers with less packaging, recycled content and low recycling cost. For example, a bottle with a foil label may be levied at a higher rate if it can be shown that the foil label contributes to higher recycling costs with available technology. The implementation of this provision will be delayed until after the program has had a chance to get started.

E.9 No end consumer deposit/refund system will be implemented for oil containers.

It is recognized that management of refundable deposits would add significant cost to the system. However, a deposit/refund system may be considered based upon a review of actual return rates in the future. Some of the reasons for rejecting refundable deposits at this time are listed below:

- i) Many consumers are expected to return containers along with their used oil returns, so the container return rate will benefit without the need for deposits.
- ii) A refundable deposit system would increase costs to the consumer.
- iii) As the higher costs of a deposit/refund system are passed to the consumer, market distortions may result, both because consumers switch to other package sizes, and because of potential inter-provincial movement of containers to take advantage of refunds that may be available in one province but not in another.
- iv) An advertising program should drive the container return rate without the need for a refundable deposit.

E.10 The Western Canada Task Force strongly opposes mandatory standards for oil containers.

- No minimum requirements for recycled plastic.
- No standard colour.
- No other mandatory standards. This system does not require them.

E.11 Transportation packaging will be addressed.

This issue will be addressed by the IFOs and/or the Western Canada Advisory Board (see G.3) in the first full year of operation.

E.12 Alternative collection funding systems will be considered.

If an alternative funding system (eg. Canadian Industry Packaging Stewardship Initiative) was proposed that would:

- Collect from commercial establishments (including used oil return depots),
- Ensure that oil bottles are acceptable in the collection system, and
- Adequately cover collection from rural markets, in addition to urban markets,

then the Western Canada Task Force program could be merged with the proposed program.

F. Principles Specific to Oil Filters

F.1 The proposed used oil filter model follows the generalized materials and funding flow models.

F.2 The program will provide universal coverage.

The EHC for oil filters will be applied to all oil filters sold in the management area (see I.7). An "oil filter" is defined as "any spin-on or element style fluid filter designed for use in any hydraulic or internal combustion engine application".

F.3 Initially, a two-tiered EHC system is recommended.

The preliminary recommendation is for a two-tiered EHC structure in recognition of significant transportation and processing cost disparities based on filter size (ie. filters under 8" in length to carry an EHC of \$0.50, all larger filters \$1.00). Both the filter size criterion and the EHC amounts would be subject to annual review by the IFO to allow for any changes necessitated by return rate experience or changing filter recycling economics.

F.4 The Return Incentive will be paid to collector/transporters or processors.

The RI will be paid to both collector/transporters and to end processors (in the filter recycling business they can be one and the same), based on the number/weight of filters recycled using any of the government approved end-recycling processes of the day. Collector/transporters and processors will compete for the supply of oil filters from the DIY, Farm/Commercial and Industrial segments in order to collect the related RI.

G. Administrative and Organizational Principles

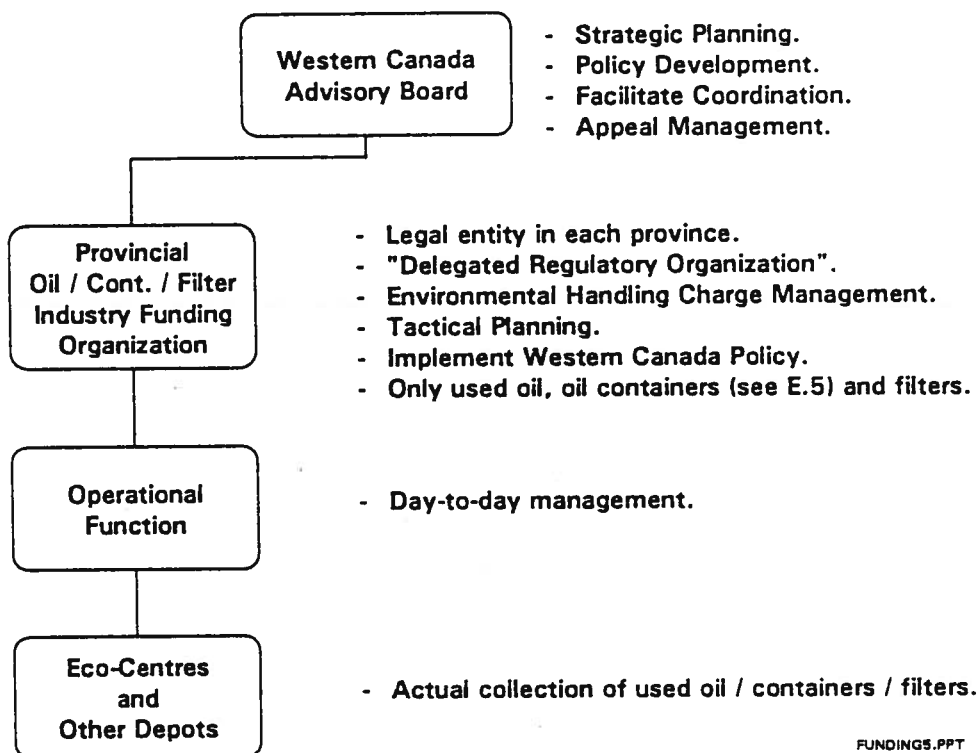
- G.1 Uniform Western Canadian EHC fund/return program management will be retained as a medium-long term goal.**

Uniform Western Canada EHC fund/return program management will be implemented over time as it becomes feasible. Therefore a Western Advisory Board must exist. Implementation will begin province-by-province on the understanding that the provincial implementation must be consistent with the principles identified by the Western Canada Used Oil / Container / Filter Task Force.

- G.2 A summary of the proposed Western Canada organizational structure is below, with the role of each body described.**

Figure 5

Generalized Organizational Proposal for Western Canada



Note: The lines connecting the boxes in Figure 5 are only to indicate the overall hierarchy of the organization. The actual relationships between the boxes will differ. For example, the relationship between the Western Canada Advisory Board and the Provincial IFOs is likely to be informal, depending primarily on interlocking membership to maintain the relationship. On the other hand, the relationship between the "Operational Function" and the Eco-Centres is likely to take the form of a contract.

G.3 There will be a Western Canada Advisory Board.

- a) The Western Canada Advisory Board will be, in many ways, a continuation of the Western Canada Used Oil / Filter / Container Task Force.
- b) Normally, about four meetings would be held throughout each year. These would be scheduled in the fall of the preceding year. Additional meetings would be scheduled if and when they are required. There will be a minimum of one meeting each year.
- c) The membership will be open to representatives of licensees of the provincial IFOs (oil/filter manufacturers, brand owners, marketers and importers - see G.4b). The four IFO chairmen will also be members. This could result in rather large meetings. If the size of the meetings gets out of hand it may be necessary to establish some control over Advisory Board membership, or to establish an executive committee. However, it is anticipated that as the system matures attendance at meetings will be manageable.
- d) The chairmanship will rotate in order to equitably share the workload.
- e) Members of the Advisory Board will serve on a voluntary basis. No permanent staff nor funding will likely be required, however the provincial IFOs may be asked to provide minor administrative support (as the CPPI provides for the Task Force today).

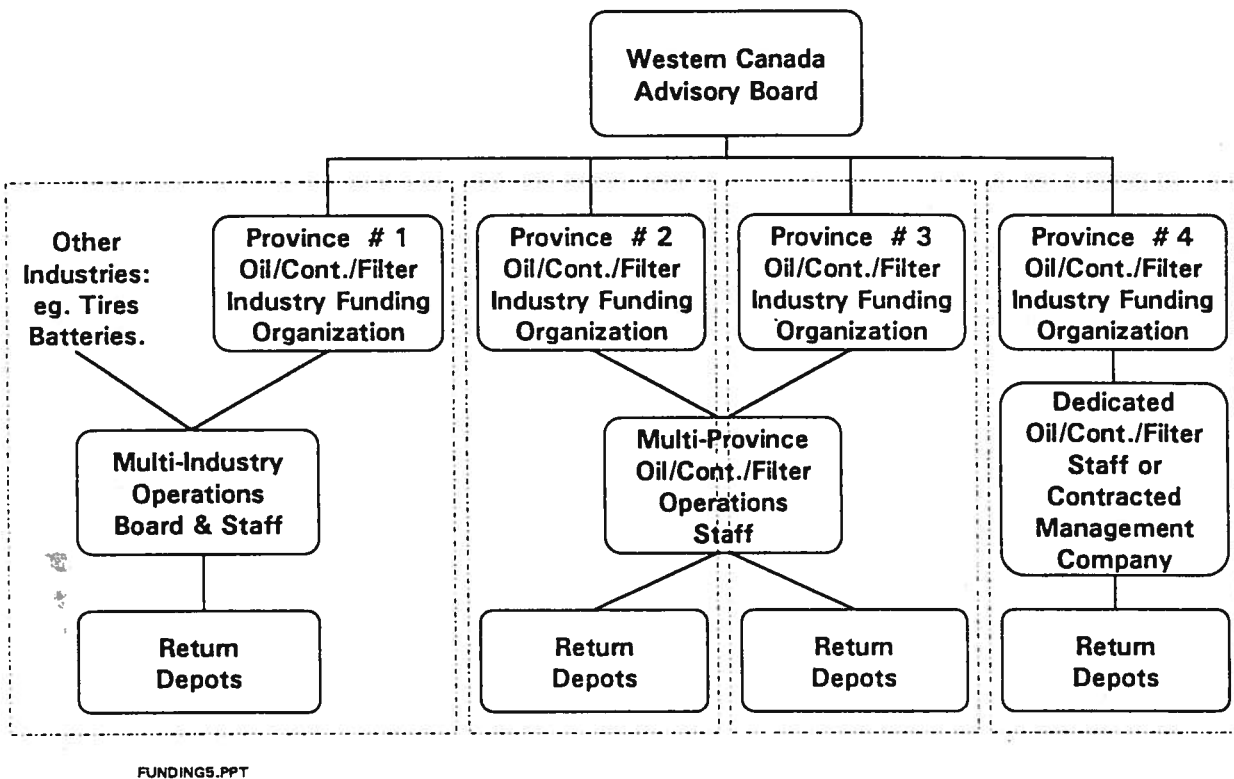
G.4 Industry Funding Organizations (IFOs) will exist in each province.

- a) The provincial IFOs will be legal entities in each province. In the case of Alberta, the IFO will be the Alberta Used Oil Management Association (AUOMA) which will be a "Delegated Regulatory Organization". It is anticipated that similar arrangements will be made in the other provinces.
- b) The IFO will oversee the licensing of oil/filter manufacturers, brand owners, marketers and importers, collection of the Environmental Handling Charges (EHC) and disbursement of the Return Incentives (RI) and Subsidies (see also C.16 above).
- c) There will be one IFO in each province covering all three material streams: used oil, filters and containers. No other materials will be included in this IFO (except as noted in E.5), although the Used Oil / Filter / Container IFO may coordinate its efforts with IFOs of other industries as it sees fit.
- d) The IFO organization will consist of the membership, a board of directors and permanent staff (if required).
- e) The IFO membership will be multi-stakeholder in nature, although licensees will retain control. Other members may include representatives of the recycling industries, retailers, municipal and provincial governments and Environmental Non-Governmental Organizations (ENGOS).

- f) The board of directors will be elected annually. Industry Stakeholders must retain control as they are the ones who must show stewardship. There should be 9 (or 11) members of the board representing the following stakeholders:
- 2 Licensees who are CPPI members.
 - 1 Licensee who is an oil manufacturer or brand owner/marketer, but is not a member of CPPI.
 - 1 Licensee who is an oil manufacturer or brand owner/marketer (CPPI or non-CPPI).
 - 1 Licensee who does not manufacture oil (ie. a retailer: installed or DIY).
 - 1 Licensee who is a filter manufacturer or brand owner/marketer.
 - 1 Representative of a municipal government.
 - 1 Representative of the provincial government.
 - 1 Representative of an ENGO.
- There will be a limit of one representative per organization.
- g) The board chairman is to be a representative of a licensee of the IFO.
- h) There will be one meeting of the general membership each year. The board will meet as required, but at least once each quarter.
- i) There will be considerable effort required to get this organization running in each province. Each provincial government will be asked to financially support this system through refundable grants until EHC funds become available. Some of this money will be used to appoint a person with oil industry experience to facilitate the process.
- j) An organization with permanent staff will be required to administer the program. Shown in Figure 6 are examples of ways that this could be organized. This may vary by province.

Figure 6

Examples of Possible Provincial Organizations



G.5 The recycling industry will be consulted to benefit from their expertise.

The Western Canada Advisory Board and the Provincial IFOs will work with the recycling industry, including APRA (Alberta Plastics Recycling Association) and other industries to take best advantage of their technical understanding and to avoid duplication of effort. These organizations will make their recommendations to the Western Canada Advisory Board and the IFOs.

H. Integration Principles for Oil, Containers and Filters

H.1 Invoicing rules must be flexible to accommodate practices in market segments.

For invoicing (including cash register tapes), each seller should have the option to build the EHC into the end product price or to charge it separately to consumers. The preference of this group is that the EHC would be shown as a separate item at the wholesale level, but the EHC would be included in the price at the retail level. This is to balance consumer awareness against the practicalities of the retail business. Tax (GST/PST) status of this kind of EHC needs to be determined, but the preference is that GST and PST would not apply to the EHC.

H.2 Customer communication must aid consumer understanding.

All sellers of oil and oil filters would be required by regulation to post "Point of Purchase" (P.O.P.) customer communications to inform customers of the existence of the program,

and to indicate the location of nearby return depot(s). The P.O.P. communication must meet a standard to be prescribed. Note that this is a requirement only to inform. There is to be no mandatory "return to retail" under this proposal.

To improve customer understanding of advertising and promotional communications, each seller would be permitted to quote prices in one of two ways:

- i) EHC included in quoted price (either without comment or identified as "EHC inclusive").
- ii) EHC excluded from quoted price, but additional EHC amount specifically identified.

Additional visibility to be achieved through use of P.O.P. notices of EHC amount and purpose.

H.3 Container return program must be integrated with the existing used oil collection program in B.C.

It is probable that the BC industry steering committee will recommend the modification of the B.C. used oil program to an EHC based system, with the elimination of the mandatory "return to retail" requirement, to optimize efficiency, effectiveness and fairness of the combined programs.

There will be no need for a mandatory "return to retail" program because the RI will provide enough funds to encourage many industry facilities to participate voluntarily.

I. Glossary of Terms

I.1 Collector/Transporter

A collector/transporter is a government approved carrier for used oil, used containers and/or filters. The collector/transporter has a truck, or contracts with a trucker. The collector/transporter visits return depots and other generators to pick up the material and deliver it to a processor.

I.2 DIY

DIY means "Do It Yourself". This refers to individual consumers who purchase oil and/or filters and install these products themselves. In most places in the text the term DIY is intended to include farm and small commercial users as well, where these users install oil in their own vehicles and equipment.

I.3 Eco-Centres

The term Eco-Centres means privately or government operated return depots which accept used oil, oil containers and filters from consumers (principally DIY, farm and small commercial). They may also accept other unrelated material for return/recycling. These depots are not affiliated with any oil marketer. "Eco-Centres" could also mean municipal recycling facilities or blue-box programs where these accept used oil, oil containers and/or filters.

I.4 EHC

EHC means Environmental Handling Charge. This is a charge paid at the time of purchase to fund the ultimate disposal of a product. This has been referred to by some in the past as a "recycling levy".

I.5 IFO

IFO means Industry Funding Organization. This term is further defined in point G.4 above.

I.6 Industry Stakeholder

Industry stakeholders include the manufacturers and/or marketers of oil and oil filter products. Most industry stakeholders are brand owners, but some other large marketers are also included.

I.7 Management Area

The management area for the EHC funded return program will initially be the province or provinces where the program is implemented. Eventually, it is expected that the management area will include all four western provinces. Ultimately, the entire country could be a single management area. This is most desirable, but may be unachievable.

I.8 Processor

Processor is defined as the last person who changes the form of the material to a useable product or a useable form that is no longer a waste material.

I.9 Return Depot

The term Return Depot includes Eco-Centres as well as others who receive used material from DIY consumers. These may be affiliated with oil or filter marketers (eg. service stations, quick-lubes, mass merchants, farm agents).

I.10 RI

RI means Return Incentive. This is the money paid by the IFO to provide the "top-up" economic drive to make the return program work. See points C.3, D.1 and E.2 for further explanations.

