

Calculation of Environmental Handling Fees for Phase I Products

Frequently Asked Questions (FAQs)

Q: Why are Fees changing?

A: In keeping with commitments made in the program stewardship plans to review the EHF's, ACES; SWEEP and ESABC retained a consultant to undertake a review of fees for Phase I products to ensure the fees accurately reflect the costs to collect, consolidate and process waste electronics. As a result of the review, the consultant recommended revisions to the current fee schedules. For most products, the proposed fees are lower than the existing fees.

Q. Why are there different fees for Nova Scotia, Saskatchewan and British Columbia?

A: As part of the review, the consultant looked at costs across the three jurisdictions. It was acknowledged that there would be administrative benefits to maintaining a common fee schedule across the jurisdictions. Analyses undertaken during the study and summarized in section 9 of the report showed that implementation of a harmonized fee schedule would lead to revenue over-collection or under-collection between the programs.

In addition, within product categories, the ratio of the EHF revenues to the product costs of each product category ranged from 70 per cent to 200 per cent. This exceeded the zone of reasonableness of plus or minus ten per cent established in consultation with the Study Advisory Committee. Therefore the Research Team recommended the implementation of separate fee schedules for each program.

The following factors contribute to the difficulties of establishing a common fee schedule for all jurisdictions:

- *Population served*
- *Transportation distances between communities and to processing facilities*
- *Regional differences in processing costs, labour costs and other factors*
- *Consumer preferences and purchasing patterns*
- *Program design and legislative/policy framework.*

More discussion on the topic of harmonization between the programs is provided in Section 9 of the report.

Q: When will fees change?

A: The programs intend to provide formal notice of fee changes to stewards and stakeholders on May 1, 2009 with the new fees to take effect August 1, 2009.

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Q: How often are fees reviewed?

A: Right now, the intent is to have the proposed fees in place for a three year period. However, fee levels are monitored on an ongoing basis and if it is determined that fees are too high or too low then changes could be implemented before the end of the three year period. Feedback from stakeholders is important during these reviews. Questions and comments raised during the consultation will be documented in the final report.

Q: Why do the programs need to maintain operating reserves?

A: ACES, SWEEP and ESABC are non-profit programs that are funded through revenues from the environmental handling fees. Operating reserves are necessary to protect against operating risks, for example such as the current economic downturn. More information on the purpose of the operating reserve is provided in Section 2 (page 6) of the report.

Q: What happens to surpluses already set aside in the operating reserve?

A: Surpluses that have been accumulated to date are maintained in an operating reserve by each Program. The operating reserve can only be used in the future to offset unanticipated cost increases in the future. The Programs have targeted a minimum operating reserve equal to two years of operating costs. A separate Effectiveness and Efficiency Fund for research and development initiatives is also maintained.

Q: What is the proposed change related to charging a single EHF for each SKU?

A: The proposal is that combined units sold in a single package, for example a combined CPU/display would pay only the highest applicable EHF. This change was recommended to improve communication with consumers and administration for stakeholders. This approach is also consistent with the recommendation for Phase II products in Nova Scotia.

Q: What were the principles or criteria used in the review?

A: A set of guiding principles and criteria were developed and adopted by the Boards of the three programs. These are outlined in Section 2 of the report. Some of the guiding principles include:

- 1) That the fees will be set for each product category to reflect the forecast costs associated with the category (i.e. revenues will be matched to costs for each category).*
- 2) There will be no cross-subsidization across product categories.*
- 3) Fees will be set in a fair and transparent manner that can be openly communicated.*

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Q: What are the proposed product category changes?

A: As part of the review, the existing product categories were revisited. Changes were recommended for the following reasons:

- 1) Monitors and Televisions be combined into Display categories, to recognize the technological convergence between these types of products.*
- 2) The number of screen sizes be reduced to two, in order to improve communication with consumers and improve administrative efficiency.*
- 3) An EHF be calculated for computer peripherals as there previously was not a fee in place.*

Originally the study recommended combining the desktop computers and portable computers category into a single computer category. However, based on feedback received from stakeholders, the Research Team and the Study Advisory committee reviewed that decision and decided to maintain separate categories for desktop computers and portable computers.

Q: Why is there a new peripherals category and what products does it include?

A: Pursuant to commitments made in the program stewardship plans, the review of Phase I EHFs included the calculation of a fee for a computer peripherals class. The peripherals class includes mice and keyboards. Although these products have historically been collected by the programs, a separate EHF was not applied. The programs committed to determining and implementing a fee once sufficient data were available on their end-of-life management costs.

Q: What do you mean by “no cross-subsidization across product categories”?

A: The issue of cross-subsidization is an important one. In this report, it means that fees are set based on the forecast costs associated with each product category – that is, the fees for each product category are set so that forecast revenues for each category match the forecast costs for each category.

With respect to selecting the number of categories, there are several factors that were considered, including:

- 1) Ensuring that fees fairly reflect costs with no cross subsidization between categories.*
- 2) Reflecting technological convergence (i.e. that products serving similar purposes have similar EHFs).*
- 3) Administrative efficiency and ability to communicate clearly with consumers and stakeholders.*

As discussed in Section 8 of the report (page 39), sometimes these objectives represent competing interests. For example, the most administratively simple EHF would be a single flat charge for all products. On the other hand, strictly adhering to an objective of ensuring no cross subsidization between products would lead to a fee schedule with dozens or hundreds of different fees. In the end, the recommended fee schedule reflects a balance of all these considerations.

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Q: What do the revised product categories mean for Monitors?

A: For monitors with screen sizes that are 29" or smaller the proposed fees are lower than the existing fees. This includes most monitors sold for home or office uses. A small number of larger screen size monitors, usually sold for commercial applications such as airport displays, will be subject to higher fees.

Q: Can you explain in more detail how the more expensive TV costs are not being unduly subsidized by monitors?

A: Most monitors are included in the Display Devices – 29" and smaller category. The proposed fees for this category were set using the following method (Described on pages 42 and 43 of the report):

- 1. An EHF was calculated for the old monitor category for each year (i.e. only monitors, no televisions).*
- 2. This EHF was adopted (subject to later rounding and averaging) as the proposed EHF for the "Display Devices 29" and smaller" category.*
- 3. The balance of costs that would have applied to the old television categories were assigned to the "Display Devices 30" and larger" category. These costs were used as the basis for calculating the "Display Devices 30" and larger" EHF.*

Further, the EHF's that would have been calculated for the old monitor categories are provided in Table 5D of each Appendix. (i.e. the EHF's that would have been calculated with no proposed changes to the number of categories). For all of the programs, the EHF's calculated for the Monitor category in Appendix Table 5D, are very close to the proposed EHF's for the "Display Devices – 29" and smaller category). For BC and SK they are identical (\$9.00 in BC and \$9.25 in SK). For NS they are only slightly different due to some changes that arise as a result of the averaging and rounding procedure (\$11.50 compared to \$11.75).

Q: Was the option of a single TV fee category and a separate monitor fee - as done in Ontario - considered?

A: In discussions between the Research Team and the Advisory Committee, the primary issue identified with respect to the existing Television and Monitor categories was the issue of technological convergence. That is, that in the market today it can be difficult to distinguish between a product sold as a monitor and a product sold as a television. Therefore a recommendation was made to combine the monitor and televisions into display categories.

Once the recommendation was made to combine monitors and televisions into a combined set of display categories, the number of screen sizes was reviewed. It was determined there is sufficient difference in weight and operating costs between the largest television sizes and the smaller television sizes and monitors to warrant maintaining two screen sizes in the display categories. For example, Table 7.2 of the report shows that the average estimated weights for the two largest television screen sizes are 53.1 kg and 93.7 kg. This compares to the estimated weights for the smaller television and monitor classes of 10.8 kg; 34.7 kg and 15.6 kg respectively. Since operating costs are largely driven by the weights of the

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products, it was felt this difference in weights was large enough to warrant maintaining two screen sizes in the display categories.

Q: The analysis requires such a wide range of assumptions and estimates. Given the uncertainty in some of the existing data would it be reasonable to wait until additional information becomes available from?

A: The Research Team relied on a wide range of available sources to obtain the input necessary to determine the EHF's presented in this report. Where available, the Research Team relied on actual program operating experience.

In all cases, data were cross-checked with other available sources (E.g., weight and service life data from selected sources were cross-checked with current related data available from SWEEP). In addition, data were reviewed by the study Advisory Committee to ensure that they appeared reasonable.

Finally, the Research Team recommends on-going monitoring at the end of the first year of implementation and after three years to ensure the fees continue to be appropriate for implementation.

Q: What was the source of the product weight data used in the study?

A: The product weight data was sourced from actual program collection data for SWEEP and ARMA. This was shown in Table 7.2 of the report. The samples from SWEEP and ARMA consisted of several hundred units for most product categories. Other data sources, including previous studies and industry sources were used to evaluate the reasonableness of the data. The Research Team made efforts to contact industry sources to confirm the reasonableness of the data.

Q: What was the source of the service life data used in the study?

A: The service life data used in the study for all product categories except computer peripherals were taken from the 2008 WDO report. Collection audit data from SWEEP was presented to cross check the WDO data.

Q: How are the comments and questions received during the consultation period addressed?

A: Each comment or question received during the consultation was carefully recorded, reviewed and handled by the Research Team. The input was incorporated into the consultation report and study FAQ as appropriate. The Research Team and Study Advisory Committee reviewed the comments and made certain changes to the proposed fees, most notably to maintain separate product categories for desktop computers and portable computers.