RPRA consultation on proposed 2025 tires program fees

October 18, 2024

RPRA Resource Productivity & Recovery Authority

About RPRA

The Resource Productivity and Recovery Authority (RPRA) is a regulator mandated by the Ontario government to:

1. Support the transition to a circular economy by winding up and transitioning legacy waste diversion programs under the *Waste Diversion Transition Act, 2016* (WDTA) and implementing a producer responsibility framework under the *Resource Recovery and Circular Economy Act, 2016* (RRCEA)
2. Provide digital registration and reporting services for the province’s Excess Soil and Hazardous Waste programs under the *Environmental Protection Act* (EPA), as directed by the Minister

As an administrative authority of the Government of Ontario, RPRA does not receive any government funding and funds its operations through fees charged to regulated parties to recover its costs to deliver its mandate.

Proposal scope

- This proposal is provided for information and to obtain feedback on proposed 2025 tires program fees.

- Fees are being proposed in advance of the calendar year in which they will apply.

- Final RPRA program fees will be posted on **December 1, 2024**, and will take effect on **January 1, 2025**.

- RPRA's 2025 budget, on which all 2025 RPRA program fees are based, has been finalized as part of the 2025 Business Plan.

- This presentation provides key financial information excerpted from the 2025 Business Plan that will provide stakeholders with financial and contextual information to inform feedback.

Consultation process

- RPRA’s legislative framework requires RPRA to consult on proposed program fees for 45 days and post the final fees for 30 days before they come into effect.
- The consultation on proposed 2025 program fees began on **September 27** and ends on **November 12, 2024**.
- You can send feedback to consultations@rpra.ca anytime until **November 12, 2024**.
- The recording will be posted to the consultation webpage on RRPA’s website following the webinar.
- The finalized 2025 program fees and a consultation report summarizing feedback received during the consultation will be posted to RPRA’s website on or before **December 1st**, and stakeholders will be notified of the posting.
- For more information on the consultation process, visit RPRA’s consultation webpage.

What do RPRA’s tires fees support?

RPRA’s program fees support the delivery of RPRA’s mandate, which consists of the following overarching deliverables:

- **development and ongoing maintenance of registries**
- **operating registries and support to registrants**
- **compliance and enforcement of resource recovery requirements**
- **public reporting of registry data and RPRA’s compliance activities**
- **oversight of the operation and wind up of legacy waste diversion programs and industry funding organizations under the *Waste Diversion Transition Act* (WDTA)**

RPRA’s Strategic Plan contains RPRA’s overarching strategic goals and objectives, and the strategies employed to achieve those goals and objectives.

RPRA’s strategic goals

RPRA’s budget is driven by its strategic goals:

- **Accessible registry services that provide value to registrants**
- **Effective enforcement that supports waste reduction and a healthy resource recovery sector**
- **Trusted and useful public information about resource recovery, waste and RPRA activities**
- **A connected culture where employees can grow and do meaningful work**
- **Robust internal systems and processes that remain innovative and adaptable to change**

Select new 2025 planned activities supported by RPRA program fees

The full list of RPRA's key new planned activities for 2025 is published in RPRA's 2025 Business Plan. A selection of activities is summarized below:

- Finalize and implement a registry service delivery model, including proposed service standards
- Improve the efficiency of RPRA's billing and payment processes
- Establish working groups for collaboration with other Canadian producer responsibility regulators
- Develop and implement new collection and performance-related system guidelines
- Develop and launch new public-facing website about Ontario's circular economy
- Develop and implement audit procedures, in consultation with stakeholders

The noted new activities are in addition to ongoing improvements to day-to-day service delivery across all our departments, including registrant support, data analytics, finance, and IT.

RPRA’s approach to fee setting

RPRA’s General Fee Setting Policy provides guidance for setting fees.

There are four main steps to determining program fees:

1. **Annual budget setting**
2. **Allocation of costs to individual programs**
3. **Subtraction or addition of programs’ prior year surplus or deficit**
4. **Application of each program’s fee model**

For more information about RPRA’s approach to fee setting, visit the fees webpage on the RPRA website.

RPRA’s cost allocation methodology

The cost allocation methodology distributes RPRA’s annual total cost recovery target between programs to fairly recover costs related to each program, and to avoid registrants from any one program subsidizing the costs of another program.

RPRA’s cost allocation methodology divides the organization’s overall costs into two categories:

- **Direct costs** are attributable to a specific program, including registry amortization and interest, registry foundational costs and interest, professional fees, and certain IT and registry-related expenses.

- **Common costs** cannot be directly attributed to a program as they are either indirect costs or shared service costs. Common costs are divided up among the programs using key cost drivers, such as number or registrants (for HWP and excess soil registries) or number of producers (producer responsibility programs)
    - **Indirect costs** include board remuneration, non-registry amortization, leadership and certain administrative salaries, and office supplies
    - **Shared service costs** include staff salaries and benefits, IT services and support, and software licenses.

Annual contribution to RPRA’s contingency reserve is allocated to each program based on the program’s share of total budgeted cost recoveries.

Fee revenue sources

RPRA recovers its costs by setting and collecting program fee revenues from three sources:

1. **Producer responsibility program registrants**
   Fees to producers that are required to register and report to RPRA under the RRCEA regulations.

2. **Excess Soil and Hazardous Waste Program registrants**
   Fees to parties obligated to register and report through RPRA's Excess Soil and Hazardous Waste Program (HWP) registries. The Ministry of the Environment, Conservation and Parks is responsible for compliance activities related to these programs.

3. ***Waste Diversion and Transition Act, 2016* (WDTA) programs**
   Monthly cost recovery charges to industry funding organizations (IFOs).

Questions?

2025 budget, program cost recovery targets, and surplus/deficit applications

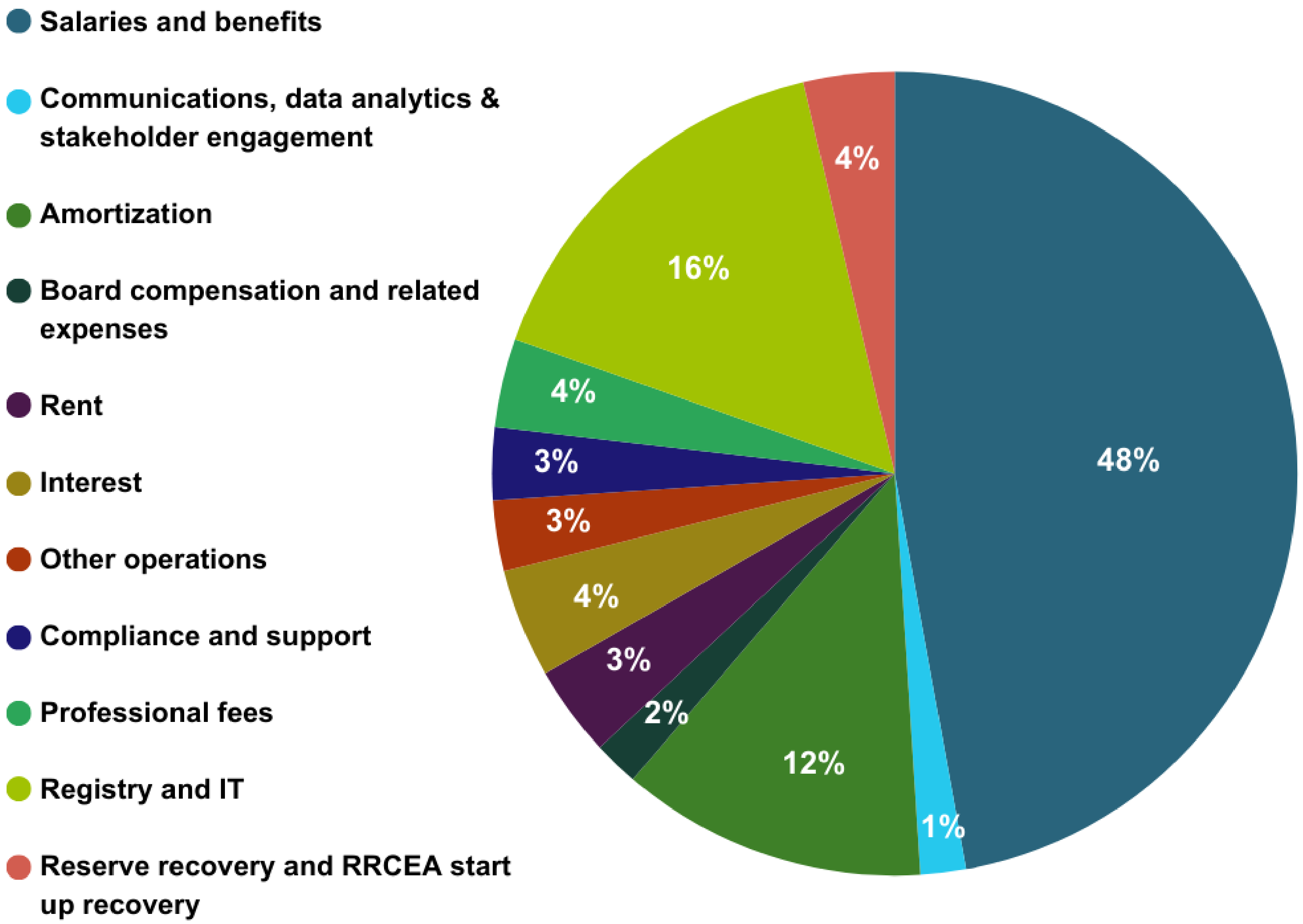
2025 budgeted revenue requirement excluding surplus or deficit adjustments

Program allocations	2024 budgeted revenue requirement	2025 budgeted revenue requirement	Notes
Producer responsibility programs (tires, batteries, electronics, hazardous and special waste (HSP), lighting, Blue Box materials)	$15.2 M	$16.8 M	The increase in cost recovery targets for registry programs reflects the increased resourcing costs for service and administration of the registry, increased resources to support compliance and enforcement activities, and required technology investments. The Blue Box program needs have driven $1.2M of $1.4M increase in the producer responsibility program increase.
Excess soil and hazardous waste registry programs	$8.9 M	$9.1 M	
Sub-total – registry programs	**$24.1 M**	**$25.9 M**	
WDTA programs	$1.7 M	$1.3 M	Cost recovery target for WDTA programs will eventually reach zero in future years, once all programs are fully wound-up.
Total RPRA Budget	**$25.8M**	**$27.2M**	RPRA's budget increased by 5% compared to the 2024 budget – in line with the 2025 forecast published in RPRA's 2024 business plan.

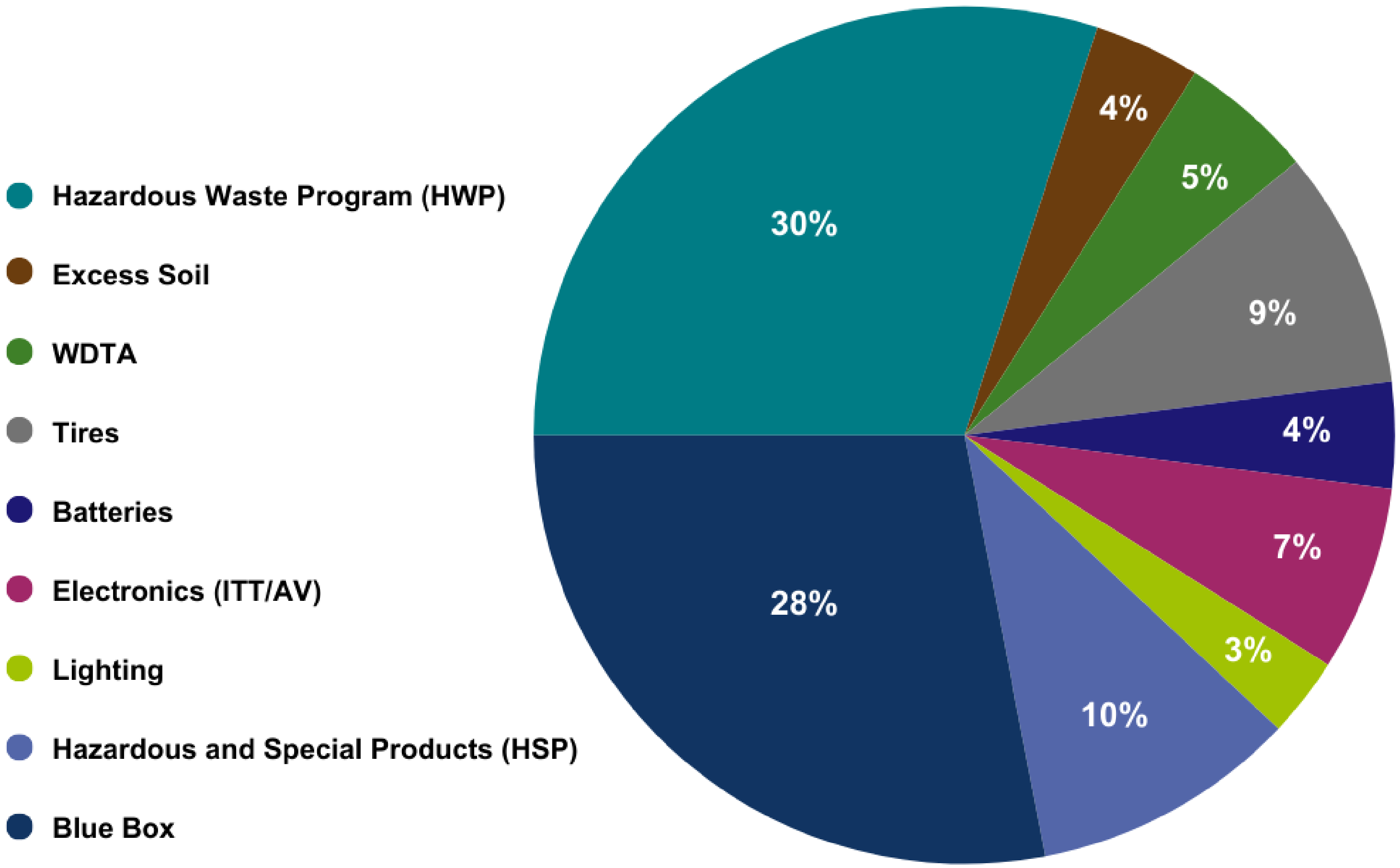
RPRA's 2025 and 2024 Budgets

	2024 Business Plan	2025 Business Plan
In Millions $	**2024 Budget**	**2025 Budget**
Revenues		
Cost recovery	24.6	26.1
Recovery of reserve contribution	1.2	1.0
Recovery of start-up costs	0.1	0.1
Interest income	-	0.2
Recovery of prior year's expenses	0.5	0.3
Total Revenues	**26.4**	**27.8**
Expenses - Direct, Indirect and Shared		
Salaries and benefits	11.5	12.9
Communications, data analytics & stakeholder engagement	0.4	0.3
Amortization	3.3	3.4
Board compensation and related expenses	0.5	0.5
Rent	0.9	0.9
Interest	1.4	1.2
Other operating	0.7	0.8
Professional fees	1.1	1.0
Compliance and registry support	0.8	0.8
Registry and IT	4.0	4.4
Total Expenses	**24.6**	**26.1**
Excess of Revenues over Expenses	**1.8**	**1.6**
Total Expenses	24.6	26.1
Reserve recovery and RRCEA start up recovery (add to total expenses)	1.3	1.1
Total Revenue Requirement (including contribution to reserve and RRCEA start up deficit)	**25.8**	**27.2**

2025 budgeted expenses ($26.1 Million)



2025 program cost allocations



62% - producer responsibility programs	33%- Excess soil and HWP registries	5% - WDTA

Application of program surplus or deficit

- Program surpluses or deficits occur when annual revenue for a program (the amount of fees collected from registrants) exceeds or falls short of the program's cost recovery target.

- Surpluses and deficits for each program are usually applied to the cost recovery target two years after they occur, and may be applied over the span of one or more years, with a goal of minimizing annual fee fluctuations for the program.

Tires surplus/deficits:

- 2023 surplus of $95K is proposed to be applied in 2025 to reduce the tires program cost recovery target
- If there is determined to be a surplus or deficit in the tires program for 2024, RPRA will consider applying it to the Tires program cost recovery target for 2026, and the amount will be communicated in the 2026 fees proposal for consultation released next fall.

2024-2025 program recovery targets, including surplus-deficit application

Program	2024 program allocation	2024 recovery of prior year deficit / refund of prior year surplus	2024 recovery target	2025 program allocation	2025 recovery of prior year deficit / refund of prior year surplus	2025 Recovery Target
Tires	$2.37M	($43,891)	$2,327,553	$2,490,919	$(94,715)	$2,396,204
Batteries & ITT/AV	$2.92M	($367,469)	$2,559,514	$3,080,626	$(617,382)	$2,463,244
Lighting	$0.90M	$318,471	$1,220,144	$920,965	$ - *	$920,965
HSP	$2.49M	$74,118	$2,568,958	$2,559,771	$ - *	$2,559,771
Blue Box	$6.52M	($597,025)	$5,921,321	$7,721,814	$(917,523)	$6,804,291
Excess Soil	$1.14M	$1,105,745	$2,241,916	$1,138,659	$793,756	$1,932,415
HWP	$7.81M	$517,823	$8,331,344	$8,012,790	$318,242	$8,331,031

* No program surplus or deficit amount applied to the recovery target of these programs in 2025

Breakdown of the tires program revenue requirement

Tires	
Direct costs	$0.24M
Indirect and Shared costs	$2.15M
Reserves and Start-up recovery	$0.1M
Surplus/deficit ($0M to be applied in future years)	($0.09M)
Total revenue requirement	**$2.4M**

Questions?

Proposed 2025 program fees for tires producers

Proposed 2025 fee model for producer responsibility programs

- **RPRA's producer responsibility program fee model**, unchanged from 2024, consists of:
    - a **nominal fixed flat fee** for small producers (under a program-specific supply threshold)
    - a **variable per kg or per tire rate** for all other producers

- By including variable quantity-based rates, RPRA's proposed fee model is aligned with the government's objective to hold producers responsible for the products and packaging they supply into the market when consumers are finished using them.

- The proposed fee model follows **RPRA's General Fee-Setting Principles**, outlined in the General Fee Setting Policy, including:

    - **Equity:** Protects small producers and registrants from excessive burden, ensures large producers and registrants pay fees that reflect the relative quantity of material they supply into the Ontario marketplace, and ensures that no producers have a competitive advantage on a per product basis.

    - **Simplicity and Predictability:** Per kg/unit variable fees are aligned with regulatory requirements for producers to report by weight/unit and enable revenue estimates based on estimates of future supply volumes.

2025 tires program fee proposed for consultation

Program	Registrant Type	Proposed 2025 Fee	Actual 2024 Fee	Change
Tires	Producer: 0 to 999 tires supplied	$95 flat fee	$90 flat fee	5.6%
	Producer: 1,000+ tires supplied	$0.204 per tire	$0.186 per tire	9.7%

Key take-aways

- RPRA is proposing a 5.6% increase in the flat fee for small producers in RRCEA programs, reflecting the overall the budget increase
- The variable fee rate for large tire producers is proposed to increase by 9.7% over 2024, driven by an estimated 6% decrease in supplied tonnage and 5.5% increase in the tires program allocation
- Based on a rolling average of reported tires supplied in 2021, 2022 and 2023, RPRA used an estimate of 11,657,51 tires for 2025 fee setting. This represents a 6% decrease compared to the tire supply estimate used for 2024 fee setting
- Producer and number of tire estimates:
    - 194 small producers (<1,000 tires)
    - 174 large producers (>= 1,000 tires) supplying 11,657,451 tires

Breakdown of tires program variable fee rate change

Tires	
Factors affecting fee rate	**Impact to fee rate**
Increase in 2025 program allocation	⬆ 5.5%
Decrease in the estimated number of tires to be reported in 2025	⬆ 6.2%
Application of surplus	⬇ -2.3%
2025 small producer count	⬆ 0.1%
Total increase in tires 2025 fee rate	**9.7%**

Feedback

- If you have questions about the proposal or would like to discuss it in more detail, email us at consultations@rpra.ca.

- All feedback received will be considered in our decision-making process for setting the fee rates.

- The finalized 2025 program fees and a consultation report summarizing feedback received during the consultation and how RPRA considered that feedback will be posted to RPRA's website on or before **December 1st**, and stakeholders will be notified of the posting.

- **Email your feedback to** consultations@rpra.ca **on or before November 12, 2024**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Questions?