



# 2018 Schedule of Contributions

## Report on the consultation process with companies and organizations



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Approved by BOD

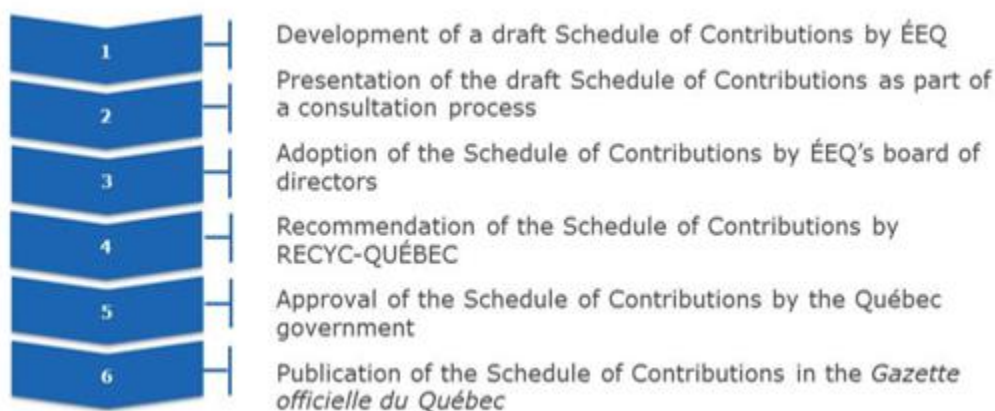
## 1. Context

The *Environment Quality Act* (the Act) and the *Regulation respecting compensation for municipal services provided to recover and reclaim residual materials* (the Regulation) stipulate rules for applying the compensation plan and create a legal obligation for targeted companies and organizations to financially compensate Québec municipalities for their net, efficient and effective curbside recycling costs.

Éco Entreprises Québec (ÉEQ) is the certified organization that represents those subject to an obligation to compensate the containers and packaging and printed matter classes and comply with the Act.

ÉEQ is responsible for the development of a Schedule of Contributions to determine the contributions of companies and organizations for the classes it represents. The process for the 2018 Schedule of Contributions is the tenth undertaken by ÉEQ.

The Schedule of Contributions is subject to a special consultation with targeted companies and organizations. ÉEQ's consultation is focused on the application rules of the Schedule of Contributions, as well as the contribution table for each materials class. The official process aims to inform and consult with as many targeted companies and organizations as possible in the steps leading to the adoption and coming into effect of the Schedule of Contributions for an obligation year.



The 2018 Schedule of Contributions was therefore developed following an update of all inputs. Indeed, the net costs to be compensated, allocation of municipal net costs per materials class, net material costs, recovery rates, expected quantities, ÉEQ fees and other provisions were all updated, and the table of contributions was adjusted to reflect the changes. It should also be noted that the estimated quantities for the 2018 Schedule of Contributions include newly designated materials, specifically short-life containers and packaging sold as products and printed matter sold as products.

The reference years in the rules of the Schedule of Contributions were also updated. The rules were amended to consider the newly designated materials.

## 2. Mechanism to develop the 2018 Schedule of Contributions

The development of the 2018 Schedule of Contributions is part of the continuity of past decisions and actions. It remains in line with the organization's strategic plan and is overseen by ÉEQ's board of directors.

In an effort to stabilize the rates considering the decrease in the average quantities of materials put on the market in Québec in recent years as a result of optimization, ecodesign and rationalization measures, the board of directors sought to set out rates for all the materials designated by the Regulation, including containers, packaging and printed matter sold as products and materials generated by business-to-business (B2B) commerce. At the consultation on the 2017 Schedule of Contributions, ÉEQ announced that the status quo regarding the inclusion of these materials was no longer an option and that the organization was tackling the issue.

### 2.1 Steering committee on the broadening of the designated materials

Thus, in fall 2017, ÉEQ assembled a steering committee to support the approach to broaden the materials subject to a fee. In light of the extent of the project, ÉEQ chose to create a committee made up of various sectorial associations, rather than contributing companies, for a comprehensive view of the issues. The orientations were presented at the consultation on the 2017 Schedule of Contributions in October 2017. The committee met four times. Participants were from the following associations:

Committee participants	
Association des détaillants en alimentation du Québec (ADA)	Conseil québécois du commerce de détail (CQCD)
Retail Council of Canada (RCC)	Conseil de la transformation alimentaire du Québec (CTAQ)
Québec Produce Marketing association (AQDFL)	Canadian Federation of Independent Business (CFIB)
Association des restaurateurs du Québec (ARQ)	Association québécoise des dépanneurs en alimentation (AQDA)

The objective of the committee was to propose, validate, adjust and enhance potential solutions for the materials that are newly subject to a fee as part of the broadening and make recommendations to ÉEQ's board of directors on the best orientations.

Four principles were prioritized to support the broadening of materials subject to a fee.

- **Equity:** Increase equity between targeted companies and designated materials
- **Simplicity:** Keep the reporting process as simple as possible for companies and the auditing process as simple as possible for ÉEQ
- **Predictability:** Enable companies to foresee which materials will be subject to a fee and their potential costs
- **Harmonization of materials:** Avoid creating new materials classes and categories

Periodical meetings with different companies and organizations affected by the changes were held between November 2016 and August 2017, in order to provide information on the planned orientations.

From the perspective of equity and coherence, the short-life containers and packaging sold as products and the printed matter sold as products were considered (CP&PM sold as products) in the 2018 Schedule of Contributions. In addition, from the perspective of simplicity, the introduction of materials generated through B2B was postponed to a later Schedule of Contributions. Subject companies and organizations were informed as early as July 2017 during a webinar on the publication of the 2017 Schedule of Contributions.

### 2.1.1 Definition of CP&PM sold as products

To ensure coherence and equity, a list of criteria was set out to establish which containers, packaging and printed matter sold as products would be subject to a fee. These criteria were submitted to the steering committee and presented at the consultation. **It is important to note that the concept of *short-life* specifically pertains to containers and packaging, as set out in the Regulation, and not to printed matter.**

Short-life containers and packaging sold as products	Printed matter sold as products
<ul style="list-style-type: none"> <li>Any flexible or rigid material intended to contain, protect or wrap products</li> <li>Single-use or short-life: whose physical and aesthetic features are altered after its first uses</li> <li>Sold as a product</li> <li>Ultimately purchased by consumers</li> </ul>	<ul style="list-style-type: none"> <li>Paper and other cellulosic fibres, whether or not they are used as a medium for texts or images</li> <li>Sold as a product</li> <li>Ultimately purchased by consumers</li> </ul>

These containers, packaging and printed matter sold as products have been classified into different categories to facilitate their identification. These categories are not, however, restrictive.

Product categories	Examples
<ul style="list-style-type: none"> <li>Food bags and packaging film</li> </ul>	<ul style="list-style-type: none"> <li>Aluminium foil, plastic wrap, sandwich bags, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Food and beverage containers</li> </ul>	<ul style="list-style-type: none"> <li>Aluminium plates, bowls and containers, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Birthday and celebration supplies</li> </ul>	<ul style="list-style-type: none"> <li>Wrapping paper, greeting cards, tissue paper, gift bags, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Stationery</li> </ul>	<ul style="list-style-type: none"> <li>Notebook, agendas, calendars, envelopes, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Household products</li> </ul>	<ul style="list-style-type: none"> <li>Moving boxes, recycling bags, protective film, etc.</li> </ul>
<ul style="list-style-type: none"> <li>Leisure and crafts</li> </ul>	<ul style="list-style-type: none"> <li>Colouring and activity books, construction paper, scrapbooking products, etc.</li> </ul>



ÉEQ determined that certain containers, packaging and printed matter would be **excluded** from the Schedule of Contributions in light of their purpose.

Excluded containers and packaging	Excluded printed matter
<ul style="list-style-type: none"> <li>Intended to contain or package waste or any other residual material designated under another regulation</li> <li>For example: <ul style="list-style-type: none"> <li>Trash bags</li> <li>Compost bags</li> <li>Vacuum bags</li> <li>Biomedical waste bags</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Books and material included in the newspaper category excluded under the Regulation</li> <li>Schoolbooks since most are like books, which are excluded</li> <li>Medical records and identification documents (birth certificate, driver's license, passport, etc.), which are not meant to be disposed of</li> <li>Printed matter meant to be used or consumed at the sales or distribution site (e.g. paper place mats and menus in restaurants)</li> </ul>

These elements were submitted at the consultation meetings.

## 2.2 Updated studies

As part of a long-standing collaboration to develop business intelligence in curbside recycling, ÉEQ and RECYC-QUÉBEC continued to conduct municipal waste characterization studies. This province-wide initiative will provide a comprehensive view of how the waste processed through municipal curbside recycling programs is generated.

The 2015-2017 residential waste characterization study covers a three-year period and uses a moving average that makes it possible to follow the evolution of the situation as a trend. The results confirm that, overall, the recovery rates are relatively stable at 63.6%. The impact of the updates to the material-specific recovery rates on the rates in the Schedule of Contributions is, for the most part, marginal.

The activity-based costing (ABC) model was also updated this year. This cost allocation was confirmed by the publication, on December 6<sup>th</sup>, 2017, of a draft regulation amending the Regulation on the compensation plan. The model makes it possible to obtain the collection, transport and sorting costs and the revenue generated for each material, as well as the cost allocation between the three classes of materials.

## 3. Development of the preliminary 2018 Schedule of Contributions

The Schedule of Contributions is made up of application rules and a table of contributions. Both were updated to foster stability for contributing companies.

## 3.1 Changes to the application rules

The application rules were updated to include short-life containers and packaging sold as products and printed matter sold as products as materials subject to a fee. The reference years were also updated.

## 3.2 Changes to table of contributions

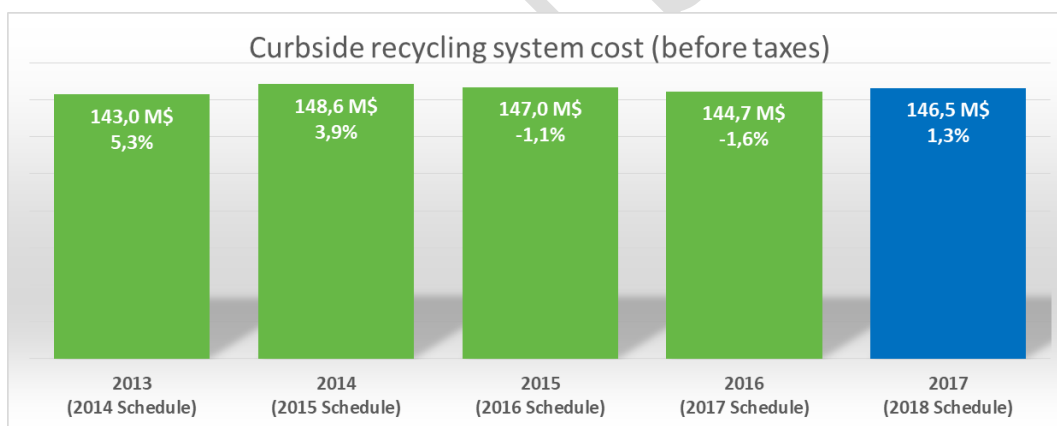
In addition to the previously mentioned studies, the municipal net costs, expected quantities and fees incurred by ÉEQ were updated. The results are detailed in the following sections.

## 3.3 2017 system costs

### 3.3.1 Municipal net costs

To develop the Schedule of Contributions, ÉEQ must first estimate the municipal curbside recycling system costs. The costs considered are those for the 2017 calendar year. They were estimated at \$146.M—an increase of 1.3% as compared to the actual costs in 2016.

To achieve this amount, an average of the increases of the past three years was applied so as to remain conservative considering the market volatility brought about by the Chinese ban on recyclables imports. Specific contract renewal analyses in key municipal organizations were carried out to assess the trends. This approach was discussed with experts at KPMG before being presented to the BOD, which then approved them.



### 3.3.2 Deduction for non-designated materials

The deduction for non-designated materials is still 6.6% for the 2018 Schedule of Contributions, as published in the Regulation (December 30, 2015). Considering the estimated curbside recycling system costs, the deduction totals \$10.1M.

### 3.3.3 Performance and Efficiency (P&E) factor

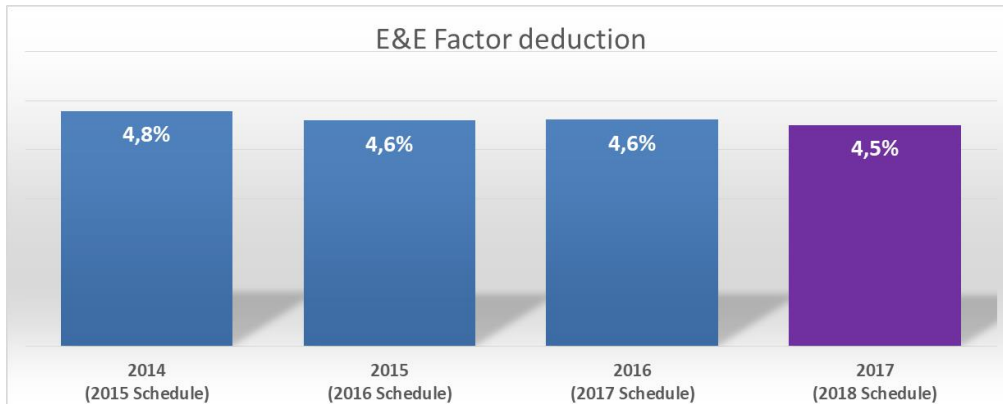
The P&E factor, which was integrated into the Regulation, is applied to the reported and audited net eligible costs. It eliminates overruns by gauging municipalities and thus ensuring that companies pay for an effective system.

Concretely, municipalities are placed in six categories according to population and distance from the major centres (Montréal and Québec). When a municipality's P&E factor is lower or equal to the group's, then the organization is fully compensated. However, when a municipality's P&E factor is higher than the group's, the organization is not fully compensated



and the compensation is calculated based on the difference between the organization's P&E factor and the group's.

The more similar the figures, the lesser the impact of the factor. Because the municipalities' factors are relatively similar, there is an overall trend toward the stabilization of the factor. We therefore estimated the deduction at 4.5%.



### 3.3.4 Municipal costs eligible for compensation

By integrating the deductions, tax and municipal management fees used to calculate the municipal costs eligible for compensation, we observed a 3.9% reduction in the municipal net costs eligible for compensation in 2018 as compared to the 2017 Schedule of Contributions for a total of \$148.6M. Note: the percentage of municipal management fees is set out in the Regulation.

	2017 SoC	2018 SoC
Municipal net costs excluding taxes	\$151.6M	\$146.5M
Québec sales tax (QST)	\$7.2M	\$7.0M
<b>Estimated municipal net costs</b>	<b>\$158.8M</b>	<b>\$153.5M</b>
Deduction for non-designated materials (-6.6%)	\$(10.5)M	\$(10.1)M
Deduction for P&E factor (-4.5%)	\$(5.9)M	\$(6.4)M
Municipal management fees (8.55%)	\$12.2M	\$11.7M
<b>Municipal net costs eligible for compensation</b>	<b>\$154.6M</b>	<b>\$148.6M</b>
Variation	- 1.4 %	- 3.9%

### 3.3.5 Cost allocation per material class

The new cost allocation confirmed by the government based on ABC and cofunded by ÉEQ and RECYC-QUÉBEC causes the share for newspaper and containers and packaging to drop, while the share for printed matter increases by over 1.5 percentage points (increase of over 7%). With this update, the collection and transport costs rose, impacting all materials. The share for printed matter is especially influenced by this element since little equipment or labour is dedicated to the sorting process.

On another note, overall, the market prices of containers and packaging were fair in 2014-2016, with the exceptions of aluminium and polystyrene, which did not perform as well as the other

materials in their groups. The new allocations and net costs per material are therefore reflected in the materials rates.

Class of materials	ACA 2013 (2015-2017 <u>SoC</u> )	ACA 2016 (2018- <u>SoC</u> )
Newspaper	8.7%	8.3%
Printed matter	19.4%	20.9%
Containers and packaging	71.9%	70.8%
Total ÉEQ share	<b>91.3%</b>	<b>91.7%</b>

### 3.4 Other costs considered

Additional costs are added to the compensation costs to establish the total contribution to be paid out by companies. ÉEQ's preliminary management, study and project fees are \$6M. However, this amount will be adjusted in the final Schedule of Contributions by ÉEQ's BOD with the adoption of the 2018 budget.

Other elements to consider:

- RECYC-QUÉBEC indemnity capped at \$3M by the regulation. ÉEQ's share is equivalent to the share of the costs of ABC (just over 91%).
- Bad debt provision set at 2% since 2010
- Deduction of amounts expected from small companies that pay flat fees without reporting

	2017 <u>SoC</u>	2018 <u>SoC</u>
ÉEQ expenses	\$5.5M	\$6.0M
<u>RECYC-QUÉBEC</u> indemnity	\$2.7M	\$2.7M
Bad debt provision	\$3.0M	\$2.9M
Anticipated reports - low-volume producers	\$(1.3)M	\$(1.3)M
Other costs - total	\$9.9M	\$10.3M
Variation	+ 0.2%	+ 4.0%
Innovative Glass Works plan*	\$0M	\$2M

\* Exclusively funded by the glass category

The fees presented as part of the consultation are therefore \$400K higher than for the 2017 Schedule of Contributions. Note that the \$2M costs for the *Innovative Glass Works* plan are allocated directly to glass when calculating the rates.

### 3.5 Cost overview

With regard to the total costs to consider when calculating the contribution, there is a 2.6% drop as compared to the previous year: a first since 100% of the costs have been funded. An amount of \$1.5M was considered in the total costs for the contribution and specifically allocated to the materials in the printed matter category.

	2017 SoC	2018 SoC
Municipal net costs eligible for compensation	\$154.6M	\$148.6M
ÉEQ share (set by order)	91.3%	91.7%
Municipal net costs - ÉEQ share	\$141.1M	\$136.3M
Other costs	\$9.9M	\$10.3M
Innovative Glass Works plan	-	\$2.0M
Printed matter fund	-	\$(1.5) M
Provision for credit for recycled content	\$0.6M	\$0.6M
<b>Total costs considered for ÉEQ's contribution</b>	<b>\$151.7M</b>	<b>\$147.7M</b>
<b>Variation</b>	<b>+ 0.8%</b>	<b>- 2.6%</b>

### 3.6 Expected quantities of materials

The expected quantities of materials to be reported by companies make up another parameter that must be estimated. Based on reported data, the CP&PM sold as products included in the Schedule of Contributions and the analyses that were conducted, we anticipate a slight increase in the total reported quantities for the 2018 Schedule of Contributions with 655 000 tonnes.



However, these quantities will be adjusted ahead of the adoption of the final Schedule of Contributions by the BOD, considering that the 2017 reporting period ended on October 10, 2017, and that the first payment was due on November 10, 2017. Note that as of September 20, the quantities reported are in line with those forecasted, except for the printed matter class, which experienced a drop. The quantities used to set out the 2018 Schedule of Contributions presented at the consultation are presented here.

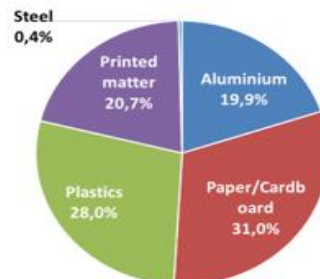
Class and sub-class	Materials	2018 Estimated quantity (kg)
<b>PRINTED MATTER</b>		<b>150 395 449</b>
	Newsprint inserts and circulars	100 941 022
	Catalogues and publications	13 984 883
	Magazines	7 586 373
	Telephone books	726 736
	Paper for general use	4 283 611
	Other printed matter	22 872 824

Class and sub-class	Materials	2018 Estimated quantity (kg)
<b>CONTENANTS ET EMBALLAGES</b>		<b>504 506 767</b>
Paper and cardboard	Corrugated cardboard	57 541 696
	Kraft paper shopping bags	2 694 390
	Kraft paper packaging	1 750 849
	Boxboard and other paper packaging	91 948 052
	Gable-top containers	10 944 303
	Laminated paper	12 365 321
	Aseptic containers	5 986 322
Plastic	PET bottles	29 651 386
	HDPE bottles	18 368 519
	Plastic laminates	13 372 901
	HDPE and LDPE plastic film	23 305 090
	HDPE and LDPE plastic shopping bags	9 768 179
	Expanded polystyrene - food	3 493 585
	Expanded polystyrene - protection	1 761 166
	Non-expanded polystyrene	4 625 347
	PET containers	7 277 645
	Polylactic acid (PLA) and other degradable plastics	617 640
	Other plastics, polymers and polyurethane	33 212 989
Aluminium	Aluminium containers for food and beverages	3 047 997
	Other aluminium containers and packaging	4 276 505
Steel	Steel aerosol containers	2 351 976
	Other steel containers	24 596 053
Glass	Clear glass	59 818 683
	Coloured glass	81 730 173
<b>TOTAL</b>		<b>654 902 216</b>

The quantities account for short-life containers and packaging, as well as printed matter sold as products.

Including these materials leads to a reduction of just over 1% in the average rate. It was mainly the quantities of other printed matter and fibre-based containers and packaging that were added to the calculation.

**Figure 1 - Distribution of expected quantities of CP&PM**



### 3.7 Impact of updated data on materials rates

Overall, the lower costs considered for ÉEQ's contribution, along with the general increase in expected quantities, lower the average rate by 5% as compared to the 2017 Schedule of Contributions.

	2017 SoC	2018 SoC
Municipal net costs - ÉEQ share	\$151.0M	\$147.1M
Provision for credit for recycled content	\$0.7M	\$0.6M
Total ÉEQ contribution	\$151.7M	\$147.7M
	+ 0.8%	- 2.6%
Expected reported quantities	639 kt	655 kt
	+ 0.3%	+ 2.5%
Average rate	\$237/t	\$226/t
	+ 0.6%	- 5.0%

The rate was set out for each class of materials and each material in the following sections.

#### 3.7.1 Average rate per class

The average rate for **printed matter** is \$221/tonne: an increase of 0.8% as compared to the 2017 Schedule of Contributions. On one hand, the costs fall with the inclusion of \$1.5M from the printed matter fund. On the other, the expected reported quantities also fall, leading to a slight increase in the average rate.

	2017 SoC	2018 SoC w/o funds	2018 SoC
Municipal net costs - PM share	\$31.7M	\$32.8M	\$32.8M
Provision credit for recycled content	\$0.4M	\$0.5M	\$0.5M
Printed matter fund	\$0M		\$(1.5)M
Total contribution	\$32.1M	\$33.4M	\$31.8M
	- 0.4%	+ 3.5%	- 1.1%
Expected reported quantities	153 kt	150 kt	150 kt
	- 0.3%	- 1.9%	- 1.9%
Average rate	210 \$/t	221 \$/t	211 \$/t
	+ 2.6%	+ 5.6%	+ 0.8%

Without the influx of funds, the average increase for printed matter would have been 5%, considering that the inserts would have risen by 3.8% and that all other printed matter would have increased by over 9%.

\$/tonne	Schedule 2017	Schedule 2018 without funds	Schedule 2018	Δ 2018
<b>Printed matter</b>	210 \$	221 \$	211 \$	0.8%
Newsprint inserts and circulars	185 \$	192 \$	183 \$	-0.9%
Catalogues and publications	257 \$	281 \$	268 \$	4.5%
Magazines	257 \$	281 \$	268 \$	4.5%
Telephone books	257 \$	281 \$	268 \$	4.5%
Paper for general use	257 \$	281 \$	268 \$	4.5%
Other printed matter	257 \$	281 \$	268 \$	4.5%

The average rate for containers and packaging is \$230/tonne: a drop of \$16 as compared to the 2017 Schedule of Contributions. The reduction, along with the increase in expected quantities, lead to a rate decrease of 6.7%.

	2017 SoC	2018 SoC
Municipal net costs - CP share	\$119.4M	\$115.7M
Provision credit for recycled content	\$0.1M	\$0.1M
Fund	\$0M	\$0M
<b>Total contribution</b>	<b>\$119.5M</b>	<b>\$115.9M</b>
	+ 1.2%	- 3.0%
<b>Expected reported quantities</b>	<b>485 kt</b>	<b>505 kt</b>
	+ 1.4%	+ 3.9%
<b>Average rate</b>	<b>\$246/t</b>	<b>\$230/t</b>
	- 0.2%	- 6.7%

### 3.7.2 Contribution table of the 2018 Schedule of Contributions

Considering all the updated inputs, the following 2018 table was presented at the consultation meetings.

Material	2018 SoC (\$/t)	Variation vs 2017 SoC
<b>Printed matter</b>	<b>211,32</b>	<b>0,8 %</b>
Newsprint inserts and circulars	183,43	-0,9 %
Catalogues and publications	268,26	4,5 %
Magazines	268,26	4,5 %
Telephone books	268,26	4,5 %
Paper for general use	268,26	4,5 %
Other printed matter	268,26	4,5 %
<b>Containers and packaging</b>	<b>229,69</b>	<b>-6,7 %</b>
<b>Paperboard</b>	<b>193,05</b>	<b>-7,5 %</b>
Corrugated cardboard	175,46	- 7,9 %
Kraft paper shopping bags	175,46	- 7,9 %
Kraft wrapping paper	175,46	- 7,9 %
Boxboard and other paper packaging	192,96	- 6,8 %
Gable-top containers	186,43	-10,9 %
Paper laminants	273,88	-5,6 %
Aseptic containers	222,77	- 6,3 %
<b>Plastic</b>	<b>340,27</b>	<b>-8,5 %</b>
PET bottles	272,25	-1,7 %
HDPE bottles	104,93	- 35,2 %
Plastic laminants	444,86	-10,7 %
HDPE and LDPE film	444,86	-10,7 %
HDPE and LDPE shopping bags and others	444,86	-10,7 %
Expanded polystyrene - food packaging	733,69	3,6 %
Expanded polystyrene - cushioning packaging	733,69	3,6 %



Non-expanded polystyrene	733,69	3,6 %
PET containers	272,25	- 1,7 %
Polylactic acid (PLA) and other degradable plastics	733,69	3,6 %
Other plastics, polymers and polyurethane	275,45	-13,0 %
Aluminum	166,41	14,3 %
Aluminum containers for food and beverages	166,41	14,3 %
Other aluminum containers and packaging	166,41	14,3 %
Steel	166,65	4,0 %
Aerosol containers	166,65	4,0 %
Other steel containers	166,65	4,0 %
Glass	178,76	-5,3 %
Clear glass	178,75	-5,1 %
Coloured glass	178,77	-5,5 %
Average rate	225,47	-5,0 %

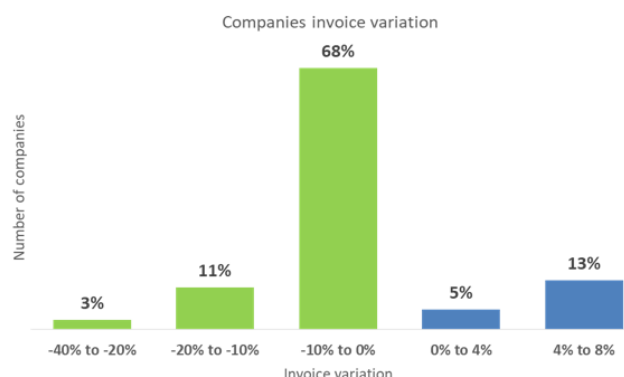
### 3.7.3 Flat fees

Since the 2014 Schedule of Contributions, the year in which the eligibility criteria for flat fees were broadened, more companies have chosen to pay a flat fee. Our recent analyses show that over 50% of the time spent by ÉEQ agents in the company services department is dedicated to these companies, which fund less than 1% of the costs. Therefore, for the 2018 Schedule of Contributions, it was recommended that the flat fees remain the same.

Tonnage generated criterion	Turnover criterion	2017 SoC	2018 SoC
1 to 2.5 tonnes		\$420	\$420
2.5 to 5 tonnes		\$890	\$890
5 to 10 tonnes		\$1 775	\$1 775
10 to 15 tonnes	\$1M to \$2M	\$2 965	\$2 965

### 3.7.4 Analysis of impacts on contributing companies

The impacts of the new Schedule of Contributions are systematically analyzed, as provided for in the process to set out the Schedule of Contributions. For the 2018 Schedule of Contributions, with an average rate decrease of 5%, most companies should end up with a lower invoice.



### 3.8 Validation of the 2018 Schedule of Contributions

As for the previous Schedules of Contribution, KPMG has attested that it has validated the methodology to estimate the municipal net costs of curbside recycling and the 2018 orientations and that it is satisfied with both. The attestation from KPMG is included in Appendix 3.

## 4. Information and consultation of companies and organizations

In keeping with the program to consult companies and organizations on the 2018 Schedule of Contributions, ÉEQ held two consultation meetings on October 24 and 26, 2017, in Montréal and Toronto, respectively.

### 4.1 Dissemination of the consultations

Official invitations, releases and reminders were sent out electronically. These communications were sent to several key players and intermediaries, including the following:

- Companies and organizations registered with ÉEQ:
  - Company contacts
  - Executives (if on our distribution lists)
  - Stakeholders in the environment sector (if on our distribution lists)
- Many sector associations active in Québec or whose members conduct business in Québec.

### 4.2 Participation in the consultation

In total, 167 representatives from companies and organizations took part in the consultations in person or through the audio broadcast (in French during the meeting in Montréal and in English during the meeting in Toronto). This is an increase as compared to the consultations on the 2017 Schedule of Contributions, in which 131 individuals took part.

Meeting	Montréal	Toronto
In person	19	25
Audio broadcast	45	78
Subtotal	64	103
<b>TOTAL</b>	<b>167</b>	

We noted a decrease in the number of people in attendance as compared to the previous consultation. However, participation in the audio broadcast increased significantly (84%), rising from 67 participants in 2016 to 123 in 2017.

### 4.3 Questions and comments on the Schedule of Contributions

At the consultation meetings, ÉEQ gave a two-part presentation:

- Consultation on the 2018 Schedule of Contributions: parameters of the Schedule of Contributions, rates and broadening of the materials subject to a fee
- Future orientations and current projects

Participants (in person and online) wanting to ask questions could do so after each part. They therefore had the opportunity to express themselves on specific points that arose.

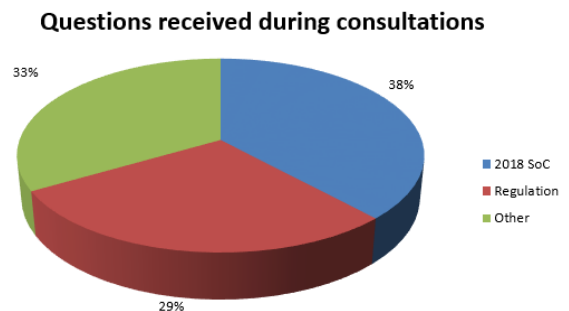
Companies could also provide their comments by filling in a questionnaire or by sending a written communication on an issue.

### 4.3.1 Questions raised by contributing companies during the consultation

From the outset, it should be noted that there were few questions. In addition, the 20 interventions, made by a dozen participants, were grouped into three categories:

- Questions on the development of the 2018 Schedule of Contributions
- Questions on regulatory aspects
- Other questions

Over one-third of the questions received were related to the Schedule of Contributions. However, 62% of the questions were on other topics, including guiding principles, regulatory applications, compensated costs and the harmonization of payment deadlines.



In the following table, the questions are summarized and grouped by contributing company in the order they were raised.

Table: List of questions raised during the consultation meetings

Participating company or organization	Questions on the 2018 and upcoming Schedules of Contributions
BanQ	<p>Products sold and purchased by consumers: the BanQ distributes printed products (programs, etc.) but does not sell them. Is it obligated to report them?</p> <p>At the consumption site: if distributed and consulted in the library? (e.g. catalogues, calendars of events consulted at the library)</p>
FamiliPrix	<p>The deduction for non-designated materials is 6.6%. What is the actual share of non-designated materials that end up in citizens' recycling bins?</p>
Coca Cola	<p>Sorting centre efficiency: Has ÉEQ compiled statistics on the percentage of materials sent to landfill?</p> <p>Are the costs related to these materials part of the compensation paid out to municipalities?</p> <p>The tonnage generated by municipalities ends up in the curbside recycling process: are there deductions? Is an amount included in the calculation of the orphan materials since these materials become orphan due to the fact that municipalities are not targeted? Is there an adjustment when calculating orphan materials?</p> <p>Are the materials generated by municipalities included in the contributions paid by companies?</p> <p>Online purchases: delivery boxes, items purchased abroad. How many tonnes are generated by e-commerce? If the situation is problematic with regard to sales taxes, what about the materials that are generated? There should be research to determine the amounts from the outside. When we have data on the tonnage, the materials may have to be excluded from compensation. Do we have an idea of the percentage of materials in recycling bins?</p>
Cycle Environnement (on behalf of several companies)	<p>Printed matter: Municipalities market printed matter for approximately \$3 500. Should we collect these amounts?</p> <p>Photos in paper format: which categories are targeted?</p>
Carton council	<p>With regard to the situation in China and the challenging context for outlets, will a working group be assembled as in 2008 when a similar issue occurred? Is ÉEQ exploring actions to be taken?</p>

Participating company or organization	Questions on the 2018 and upcoming Schedules of Contributions
STIHL Ltd	Why are notebooks meant to be kept for several years subject to a fee while books are not?
Clorox	ABC studies: short-life containers. Folders are considered waste if they are soiled and non-recyclable. Have ÉEQ studies provided information on how people dispose of them? Clorox would like more information.  Would it be possible to align the reporting and payment dates with those of other provinces? They create confusion in corporate budgets and planning.
Guy Perry & Associates	What is the link between the addition of short-life products and the deduction for non-designated materials?
Cycle environnement (on behalf of David's Tea)	<b>E-commerce</b> is putting more and more materials on the market. Specifically, with regard to companies that do not have an address in Québec, it isn't fair that Québec companies pay their share. They do not pay any compensation. Are there discussions underway with the government to remedy the situation? If so, what is the timeline to address the issue?
Staples	If products are sold to companies that use them on site, are these products excluded?
Yellow Pages	Why do the rates continue to increase for printed matter while newspapers are still excluded?
McGill University	If we have to pay for polystyrene glasses because they will be subject to a fee, does that mean that municipalities will have to recycle them?  Now that China has banned the import of recyclables, does ÉEQ anticipate an increase in recycling costs over the next few years?
Rogers	Lesser quality materials are exported to Asia. How much do we recover locally versus internationally?

### 4.3.2 Questionnaire on the 2018 Schedule of Contributions

As set out in the consultation program, a questionnaire (see Appendix 5) was handed out at the consultation meetings. It was also sent out via e-mail to participants to gather their comments and made available to contributing companies on ÉEQ's website. The questionnaire on the 2018 Schedule of Contributions is divided into three parts: the first on the application rules and methodology to develop the 2018 Schedule of Contributions, the second on the respondents and the third on future orientations. The first and third parts include spaces in which respondents could add their comments and suggestions.

With regard to the specific questions on the 2018 Schedule of Contributions, companies had to affirm their level of agreement with the elements set out in the Schedule of Contributions presented at the consultation meetings:

- Since the investments as part of the Innovative Glass Works plan are meant to develop outlets for glass and install equipment in a sixth sorting centre, **allocate the \$2M investment in glass in the Schedule of Contributions.**
- Since the rates for printed matter increased due to the increase in their share of costs, as determined in the updated activity-based costing study, and to a decrease in expected quantities, **invest \$1.5M from the class fund to limit the increase.**
- Since short-life containers and packaging sold as products have been designated under the Regulation since 2013 and the municipal costs eligible for compensation cover these collected materials, **include containers, packaging and printed matter sold as products in the calculation of the expected quantities to ensure fairness and coherence.**
- Since, in light of their function, certain containers and packaging will never be included in curbside recycling, **exclude containers and packaging that are implicitly meant to contain waste or compostable or hazardous materials.**

- Since a significant number of companies eligible for a flat fee generate printed matter and that 50% of ÉEQ agents' time is spent supporting small companies, **maintain the flat fees at the 2017 levels.**

Fewer than ten participants (7) filled and handed in the questionnaire. While all the questionnaires received were favourable or neutral with regard to the elements presented at the consultation meetings, such a low response rate makes specific analyses impossible and cannot be deemed statistically significant. However, this limited number of comments is still telling since dissatisfied companies usually mobilize and voice their concerns. Because the process has been the same for the past decade and that companies are familiar with the mechanisms, it is possible to presume that, overall, the orientations that were presented meet expectations.

### 4.3.3 Correspondence and meetings

Some contributing companies and sector associations sent their comments on current and future interests in letters and e-mails:

- Clorox
- Costco
- Cycle Environnement (consultant working on behalf of 12 contributing companies: Beto-Bloc, David's Tea, Gaz Métro, Global MJL, Intervet Canada, La Petite Bretonne, Merck Canada, Odessa Poissonnier, PIIDEA, Sephora, Sopar International, Valener)
- The Business Depot Limited
- Retail Council of Canada
- Food & Consumer Products of Canada (FCPC)
- Electronics Product Stewardship Canada
- Société des alcools du Québec

From the outset, it must be said that the work by ÉEQ to foster rate stabilization is appreciated. The principles of equity, predictability, coherence and materials harmonization highlighted in the current and future orientations are also recognized but certain nuances and details are sought since ÉEQ is a forerunner of the approach. Finally, contributing companies and sector associations welcomed the reduction in municipal net costs and recognized the efforts by ÉEQ to simplify the reporting process and optimize the value chain.

Also, the plastic and paperboard industries did not send in a letter but were informed of the orientations through open and regular communications. The comments are included in this report.

#### 4.3.3.1 In connection with the 2018 Schedule of Contributions

##### Containers, packaging and printed matter sold as products

The few comments received in connection with the 2018 Schedule of Contributions are, for the most part, related to the broadening of the materials categories with the inclusion of short-life containers and packaging sold as products and printed matter sold as products. With regard to the printed matter, the recognition of a short-life criteria is sought and would exclude certain longer life printed matter from the materials subject to a fee. ÉEQ notes that the short-life criterion pertains only to containers and packaging, as stipulated in the Regulation. Magazine editors and calendar publishers have raised this product conservation argument in support of their requests for exemptions from payment. In the past, the argument was never accepted out of fairness toward all organizations that generate printed matter. Still, for the first time, ÉEQ is considering the notion of the sustainability of personal identification documents.

With regard to short-life containers and packaging sold as products, certain companies and an association expressed their concerns regarding the inclusion of reusable containers. In 2017, ÉEQ clarified its examples to avoid confusion. Indeed, because reusable containers do not meet the criteria that its physical and aesthetic properties are altered after a number of uses, they are excluded from the table of contributions.

ÉEQ notes a greater awareness of the optimization of curbside recycling and therefore a concern among companies and associations that the broadening of the CP&PM products will leads to an increase in the level of contamination of the materials that are collected (stains, multi-material, etc.). Some want the principles of citizen awareness and processing system capacity to be considered in the broadening of the materials subject to a fee. While these principles are important, there seems to be some confusion in the understanding of the materials to be reported and those to be collected. It is the role of the Schedule of Contributions to account for these different criteria. Indeed, it is important to note that the Regulation targets all CP&PM placed on the market in Québec, regardless of composition, recovery options or the number of outlets. It is the responsibility of the Schedule of Contributions to account for these different criteria, and it is the responsibility of companies and organizations to select the containers, packaging and printed matter designed according to the highest ecodesign standards. Still, ÉEQ has provided a dynamic portal with information and support on the subject for several years. Despite the efforts invested, companies are still too slow in integrating ecodesign into their business models. Furthermore, the capacity of the curbside recycling system to adequately process materials is related to value chain optimization. Out of fairness, ÉEQ cannot ask that only companies that generate easily recyclable (and therefore recycled) materials to bear the system costs. It would be contrary to the law and would limit accountability of companies. Thus, in addition to ecodesign efforts, ÉEQ invests in optimizing the value chain. Finally, a large share of CP&PM products is already part of the materials that are collected and similar materials are already reported and subject to a fee.

Finally, it was mentioned that the broadening of CP&PM products could render the reporting process more complex (multi-material products and number of products to add). ÉEQ acknowledges these comments and will provide more support for companies to remedy the situation. Note that, with a view to predictability, ÉEQ announced that CP&PM products would be included at the consultation meetings on the 2017 Schedule of Contributions (in October 2016) and defined and released the product list in July to be further detailed in September following the online release. ÉEQ was therefore asked to include CP&PM products in phases so as to simplify data compilation. This approach is difficult to apply from a fairness and coherence perspective.

### Funding the Innovative Glass Works program with glass

The funding of the activities of the second phase of the *Innovative Glass Works* plan is planned over two Schedules of Contributions. The amount allocated under the 2018 Schedule of Contributions is \$2M and, under the draft Schedule of Contributions, only companies that generate glass will fund the activities. The SAQ is of the opinion that the pursuit of the implementation of the *Innovative Glass Works* plan should be funded by all companies generating containers, packaging and printed matter (CP&PM) since they benefit from the positive impacts on the value chain and net costs of curbside recycling. The SAQ asked that the rates apply as they did under previous Schedules of Contributions for all CP&PM generators and not only the organizations that generate glass.

The activities of the second phase of the plan are focused on equipping the new sorting centre in Montréal with sorting and cleaning equipment (set to begin operations in 2019), as well as the different measures and activities to develop glass markets. According to ÉEQ, the investments to encourage glass market development will have a direct positive impact on the cost of glass in the next ABC. Indeed, an increase in glass revenue would lead to a decrease in the cost of glass, which



is one of the three factors in the rate formula. Thus, it is the companies that generate glass that will benefit. With regard to the Montréal sorting centre, new funding scenarios will be presented to the Board of Directors based on comments received from the SAQ.

### Activity-based costing (ABC) model

The updated ABC, without considering the density factor for the collection and transport component, was also mentioned as a source of dissatisfaction since it would reduce the costs associated with certain heavier materials. The updated ABC is a result of the outcomes of a number of studies. Some are stable and recognized (e.g. characterization studies) and others require several iterations and analyses (e.g. density). ÉEQ and RECYC-QUÉBEC, which are partners in the ABC model, ensure its development based on the rigorous data and information that are available.

To conclude on the elements discussed at the consultation meetings, a recommendation was set out to increase awareness with regard to citizen action to foster the recovery of materials subject to a fee.

### 4.3.3.2 Additional comments

#### Business-to-business (B2B)

With regard to the broadening of the materials subject to a fee to **business-to-business (B2B)**, ÉEQ heavily relied on the fact that the issue was still in a preliminary phase. However, the lack of clear orientations limits the understanding of companies and the anticipation of their financial perspectives. ÉEQ provided reassurance regarding the progressive introduction of the materials and the transparency of the information to be released and insisted on the necessity of the principles of predictability and simplicity.

While a majority of companies adhere to the principle of equity and understand the aim of including the materials generated by B2B, they are asking ÉEQ to proceed with caution. The electronics industry seems to be reluctant to accept the broadening. Since electronics are already subject to extended producer responsibility, the addition will help ensure that all programs are aligned. Finally, the industry also raised the fact that the search for diversified, long-term markets should take precedence over the principles of circular economy, which take a more local view. However, the principles of circular economy have been widely introduced into government and global directions. It would be difficult for ÉEQ to exempt itself from the orientation, which is increasingly cited by government authorities.

#### E-commerce

**E-commerce** is a growing concern among companies and organizations. Two questions on the topic were raised at the consultation meetings. In addition, through a consultant, 12 companies also asked whether ÉEQ planned to document the issue and determine possible avenues for solutions to address it. Under Québec's regulatory framework, businesses that do not have a place of business in Québec are not legally obligated to contribute to the funding of curbside recycling.

Despite the operational limits of the compensation plan, a company that is not subject to the Act may choose to comply by signing an agreement with Éco Entreprises Québec. Indeed, nearly 100 companies have chosen this option and are assuming responsibilities that would otherwise fall upon their first suppliers. The case of companies that specialize in e-commerce is a particular one since they transact directly with consumers without any intermediaries and have

no first suppliers. ÉEQ must first document the situation and then meet with government authorities to study possible lines of action.

### Municipalities subject to the Act

With fairness in mind, some companies asked ÉEQ to ensure that those who generate containers, packaging and printed matter that are put on the market in Québec are required to pay contributions. The 12 companies want to determine whether it is possible to make municipalities subject to the Act so that they may contribute to the proper level based on the materials that put on the market. The issue was also raised at the consultation meetings. It is important to note that, under the Act, municipalities are not “persons” to whom the compensation plan applies.

### Analysis of materials performance in the value chain

The plastics and paperboard industries (manufacturers and companies) are especially interested in the studies on the performances of materials in the value chain since they may lead to reviews of the mixed materials and the determination of optimization options. ÉEQ can count on the collaboration of industry associations as it pursues its analyses, building on their specific expertise.

## 5. Changes to the 2018 Schedule of Contributions

The consultation process drives ÉEQ’s budget process. Thus, as announced at the consultation meetings in October, certain parameters were updated, specifically those related to the costs to consider in the funding formula.

### 5.1 Additional costs to consider in the funding formula

The most recent data was used in the budget process that ended in the fall. ÉEQ anticipates a 2018 budget of \$5.5M, which is stable as compared to the 2017 Schedule of Contributions and lower than the forecasts presented at the consultation meetings.

In addition, with the slight increase in expected contributions from companies eligible for a flat fee as a result of broader canvassing, the other total costs considered in the funding formula are 2.4% lower as compared to the 2017 Schedule of Contributions and over 6% lower than those presented at the consultation meetings.

Other costs	2017 SoC	2018 SoC Consultation	2018 SoC Updated
ÉEQ fees	\$5.5M	\$6.0M	\$5.5M
RECYC-QUÉBEC indemnity	\$2.7M	\$2.7M	\$2.7M
Bad debt provision	\$3.0M	\$2.9M	\$2.9M
Flat fee deductions	\$(1.3)M	\$(1.3)M	\$(1.4)M
Other total costs	\$9.9M	\$10.3M	\$9.7M
Variation	0.2%	+4.0%	-2.4%

This update is therefore reflected in the total costs to consider when setting out the Schedule of Contributions. It should also be noted that, following the revision of the estimated costs of the Innovative Glass Works plan, these were reduced to 200K\$. The total costs to consider fell by 3.2% as compared to 2017 (rather than 2.6% presented at the consultation meetings).

Total costs to consider	2017 SoC	2018 SoC Consultation	2018 SoC Updated
Municipal net costs eligible for compensation	\$154.6M	\$148.6M	\$148.6M
ÉEQ share (set by order)	91.3%	91.7%	91.7%
Municipal net costs - ÉEQ's share	\$141.1M	\$136.3M	\$136.3M
Other costs	\$9.9M	\$10.3M	\$9.7M
Innovative Glass Works	-	\$2.0M	\$1.8M
Printed matter fund	-	(\$1.5M)	(\$1.5M)
Provision for credit for recycled content	\$0.6M	\$0.6M	\$0.6M
Total costs considered for ÉEQ's contribution	\$151.7M	\$147.7M	\$146.9M
Variation	+ 0.8%	- 2.6%	- 3.2%

## 5.2 New table of contributions

The final table will be updated based on the scenario selected by the board of directors at its meeting on December 8. This final table will be available in the section 6 of the report.

However, because the average rate is relatively stable and flat fees were not adjusted for the 2018 Schedule of Contributions, the flat fees remain the same as those presented at the consultation meetings.

Tonnage generated criterion	Turnover criterion	2017 SoC	2018 SoC
1 to 2.5 tonnes		\$420	\$420
2.5 to 5 tonnes		\$890	\$890
5 to 10 tonnes		\$1 775	\$1 775
10 to 15 tonnes	\$1M to \$2M	\$2 965	\$2 965

## 5.3 Application rules

The application rules were amended to include short-life containers and packaging sold as products and printed matter sold as products. The exclusions presented at the consultation meetings remain the same.

In addition, considering that the predictability of the payments is key to support companies in their financial planning, the contribution payment calendar for the 2017 and 2018 Schedules of Contributions is detailed here. Note that the calendar only applies if the 2018 Schedule of Contributions is published before May 31, 2018.

	2017		2018		
	T4	T1	T2	T3	T4
2017 SoC	80% November 10	20% January 26			
2018 SoC					80% October 20% December

## 6. Position of the BOD on the 2018 Schedule of Contributions

ÉEQ's board of directors would like to thank the companies and organizations that took part in the meetings held as part of the special consultation on the 2018 Schedule of Contributions. It welcomes the rise in overall participation as compared to last year and notes the marked increase in online participation. It seems that participants appreciated that there was no simultaneous translation and the privileged access to ÉEQ representatives. The BOD invites ÉEQ executives to pursue this path.

The members of the BOD note that there were few comments and are aware that the consultation process for the Schedule of Contributions was within a busy consultation schedule for companies operating in Québec and especially those in Ontario in light of the consultation on the amendments to the Blue Box Program Plan. They also recognize the efforts invested by companies and organizations to submit their comments by the deadline.

### Containers, packaging and printed matter sold as products

The board of directors notes the comments on the inclusion of short-life containers and packaging and printed matter sold as products (CP&PM) in the Schedule of Contributions. This addition comes on the heels of the board's request to stabilize the Schedule of Contributions with the decrease in report quantities under the 2013 and 2014 Schedules of Contributions. The BOD is also aware that the approach must be in line with companies' capacity to adapt and foster optimal fairness between contributing companies. This is why CP&PM products were not included as part of the regulatory change under the 2013 Schedule of Contributions and that the orientations were announced in fall 2016.

To support the principle of fairness and ensure that each organizations pays its fair share for the designated containers, packaging and printed matter and considering the fall in expected quantities under the 2018 Schedule of Contributions, the BOD is of the opinion that all CP&PM products must be subject to a fee.

The BOD is sensitive to the optimization of the value chain. For this reason, it has chosen to provide the resources to foster and support the implementation of ecodesign programs, tools and best practices for municipalities and support plans for the effective processing of glass and the development of sustainable outlets from a circular economy perspective. The board notes the interest of consumer product manufacturers and retailers in ecodesign and the optimization of the curbside recycling value chain. The BOD is of the opinion that the more aware companies become, the more materials put on the market will be recovered through better communication with consumer customers and the more easily these products will be recycled.

### Financing of the *Innovative Glass Works plan*

With regard to the allocation of \$2M in investments for the second phase of the Innovative Glass Works plan, following its budget process, ÉEQ has revised down the amount to be financed, now standing at \$ 1.8M.

Taking into account the comments received, new funding scenarios have been presented to the Board of Directors. It takes note of the scenarios and has decided that the portion of the investment related to the development of the glass markets (\$ 500 K) must be financed by the glass-producing companies, since these investments will have a positive impact on the cost of the glass directly. However, for the financing of the new Montreal sorting center (\$ 1.3M), the Board has chosen to allocate costs according to the methodology used in the previous Schedules, that is to say all materials, since these will benefit from the spin-offs.

### Other elements

In light of the few comments on the other elements of the Schedule of Contributions presented at the consultation meeting received via the questionnaire on the 2018 Schedule of Contributions, the board of directors upholds the following decisions:

- To ensure fairness and coherence, include containers, packaging and printed matter sold as products when calculating expected quantities
- Exclude the containers and packaging that are implicitly meant to contain waste or compostable or hazardous material
- Maintain the flat fees at the same levels as 2017

With regard to the other elements presented or discussed at the consultation meetings, the BOD notes that ÉEQ has been asked to proceed with caution with regard to the introduction of the materials generated by B2B into materials subject to a fee. It has therefore asked ÉEQ to pursue the studies and analyses that are underway to obtain data that will lead to simple and segmented solutions for contributing companies and ensure as much predictability as possible.

The BOD notes the growing concern of companies with regard to e-commerce and the lack of contributions related to online transactions when an organization does not have a place of business in Québec. The board of directors asks ÉEQ executives to collaborate with relevant stakeholders, including retail industry associations, and document the issue so as to suggest effective solutions to government authorities based on the stakeholders and impacts that are identified.

The board of directors notes the significant efforts invested by ÉEQ's executive team to stabilize the municipal net costs and optimize the curbside recycling value chain for the benefit of contributing companies. The board says that this issue extends outside of Quebec and the compensation plan. The board is aware of the many challenges in the development of stable and diversified markets and is of the opinion that the consultation and liaison efforts launched some years ago will foster the emergence of a circular economy that will benefit contributing companies in the long term.

Finally, the board of directors would like to thank all the company and organization representatives who contributed to the consultation. Their participation is important and essential to ensure the development of the Schedule of Contributions and provide directions for the decisions by the board of directors.

## New table of contributions

Following the adjustment of the financing amount for the second phase of the Glass Innovation Works Plan and the scenario preferred by the Board of Directors, the material rates for the 2018 Schedule of Contributions have been updated.

Materials	2018 SoC (\$/t)	Δ 2017
<b>Printed matter</b>		
Newsprint inserts and circulars	184,14	-0,5%
Catalogues and publications	268,90	4,7%
Magazines	268,90	4,7%
Telephone books	268,90	4,7%
Paper for general use	268,90	4,7%
Other printed matter	268,90	4,7%
<b>Containers and packaging</b>		
<b>Paperboard</b>		
Corrugated cardboard	176,48	-7,4%
Kraft paper shopping bags	176,48	-7,4%
Kraft wrapping paper	176,48	-7,4%
Boxboard and other paper packaging	193,96	-6,3%
Gable-top containers	187,44	-10,4%
Paper laminants	274,32	-5,3%
Aseptic containers	223,75	-5,9%
<b>Plastic</b>		
PET bottles	274,41	-0,9%
HDPE bottles	107,19	-33,8%
Plastic laminants	446,84	-10,3%
HDPE and LDPE film	446,84	-10,3%
HDPE and LDPE shopping bags and others	446,84	-10,3%
Expanded polystyrene - food packaging	735,44	3,8%
Expanded polystyrene - cushioning packaging	735,44	3,8%
Non-expanded polystyrene	735,44	3,8%
PET containers	274,41	-0,9%
Polylactic acid (PLA) and other degradable plastics	735,44	3,8%
Other plastics, polymers and polyurethane	277,57	-12,3%
<b>Aluminum</b>		
Aluminum containers for food and beverages	168,66	15,8%
Other aluminum containers and packaging	168,66	15,8%
<b>Steel</b>		
Aerosol containers	168,91	5,4%
Other steel containers	168,91	5,4%
<b>Glass</b>		
Clear glass	168,32	-10,6%
Coloured glass	168,36	-11,0%



Appendix 1 - Residential characterization 2012-2016

Approved by BOD

## Recovery rates of designated materials for ÉEQ Schedule of Contributions\*

Category and sub-category	Materials	Recovery rates
<b>PRINTED MATTER</b>		
	Newsprint inserts and circulars	85,6 %
	Catalogues and publications	82,5 %
	Magazines	85,5 %
	Telephone books	85,5 %
	Paper for general use	62,8 %
	Other printed matter	58,6 %
<b>CONTAINERS AND PACKAGING</b>		
<b>Paper and cardboard</b>	Corrugated cardboard	76,6 %
	Kraft paper shopping bags	36,5 %
	Kraft paper packaging	25,9 %
	Boxboard and other paper packaging	60,3 %
	Gable-top containers	75,4 %
	Laminated paper	31,8 %
	Aseptic containers	54,6 %
<b>Plastic</b>	PET bottles	65,2 %
	HDPE bottles	66,0 %
	Plastic laminates	15,4 %
	HDPE/LDPE plastic film	31,7 %
	HDPE/LDPE film shopping bags	15,3 %
	Expanded polystyrene - food	9,9 %
	Expanded polystyrene - protection	33,9 %
	Non-expanded polystyrene	26,4 %
	PET containers	53,6 %
	Polylactic acid (PLA) and other degradable plastics	46,2 %
	Other plastics, polymers and polyurethane	40,1 %
<b>Aluminum</b>	Aluminum containers for food and beverages	45,0 %
	Other aluminum containers and packaging	10,1 %
<b>Steel</b>	Steel aerosol containers	17,7 %
	Other steel containers	62,6 %
<b>Glass</b>	Clear glass	78,8 %
	Coloured glass	78,8 %

\*Drawn from residential characterization 2012-2016, cofinanced by Éco Entreprises Québec and RECYC-QUÉBEC

## Appendix 2 - 2016 Activity Based Costing

Approved by BOD

## Net costs of designated materials for ÉEQ Schedule of Contributions\*

Category and sub-category	Materials	Recovery rates
<b>PRINTED MATTER</b>		
	Newsprint inserts and circulars	137 \$/t
	Catalogues and publications	137 \$/t
	Magazines	134 \$/t
	Telephone books	137 \$/t
	Paper for general use	141 \$/t
	Other printed matter	149 \$/t
<b>CONTENANTS ET EMBALLAGES</b>		<b>CONTAINERS AND PACKAGING</b>
<b>Paper and cardboard</b>	Corrugated cardboard	190 \$/t
	Kraft paper shopping bags	190 \$/t
	Kraft paper packaging	190 \$/t
	Boxboard and other paper packaging	183 \$/t
	Gable-top containers	215 \$/t
	Laminated paper	264 \$/t
	Aseptic containers	225 \$/t
<b>Plastic</b>	PET bottles	292 \$/t
	HDPE bottles	12 \$/t
	Plastic laminates	663 \$/t
	HDPE/LDPE plastic film	617 \$/t
	HDPE/LDPE film shopping bags	617 \$/t
	Expanded polystyrene - food	2 352 \$/t
	Expanded polystyrene - protection	2 352 \$/t
	Non-expanded polystyrene	438 \$/t
	PET containers	391 \$/t
	Polylactic acid (PLA) and other degradable plastics	335 \$/t
	Other plastics, polymers and polyurethane	265 \$/t
<b>Aluminum</b>	Aluminum containers for food and beverages	-183 \$/t
	Other aluminum containers and packaging	-13 \$/t
<b>Steel</b>	Steel aerosol containers	53 \$/t
	Other steel containers	104 \$/t
<b>Glass</b>	Clear glass	201 \$/t
	Coloured glass	201 \$/t

\*Drawn from 2016 Activity Based Costing Model, cofinanced by Éco Entreprises Québec and RECYC-QUÉBEC

Appendix 3 - Note on the validation of the fee structure - KPMG-  
SECOR (in French only)

Approved by BOD



**KPMG S.R.L./S.E.N.C.R.L.**  
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Le 13 septembre 2017

Monsieur Denis Brisebois  
Président du Conseil d'administration  
Éco Entreprises Québec  
1600, boul. René-Lévesque Ouest, bureau 600  
Montréal (Québec)  
H3H 3P9

**OBJET : LETTRE DE CONFORT POUR LA GRILLE TARIFAIRE 2018**

Monsieur Brisebois,

À la demande du Conseil d'administration d'ÉEQ, KPMG atteste qu'il a procédé à la validation des deux items suivants : i) la méthodologie d'estimation des coûts nets municipaux de collecte sélective; ii) le niveau des coûts nets municipaux de collecte sélective utilisé pour la grille tarifaire 2018.

Pour la méthodologie d'estimation des coûts nets municipaux, nous sommes confortables avec l'évolution en cours des approches qui sont utilisées par l'équipe d'ÉEQ pour déterminer ces coûts. Comme souligné dans nos notes des deux dernières années, les relations statistiques historiques, qui ont servi par le passé à déterminer les coûts nets de collecte sélective, deviennent de moins en moins performantes. L'utilisation de nouvelles sources d'information, notamment celles sur les contrats municipaux, devient essentielle. Si ÉEQ ne dispose toutefois pas encore de toute l'information sur les grands contrats municipaux, l'équipe a néanmoins utilisé les renseignements disponibles pour la détermination du tarif 2018. Nous encourageons ÉEQ à poursuivre les efforts en ce sens.

Pour le niveau des coûts nets utilisés, nous sommes aussi confortables avec celui retenu pour la détermination du tarif 2018 si l'on souhaite demeurer prudent. La hausse prévue de 1 % est bien inférieure à celle des prévisions des années précédentes, mais elle doit être mise en perspectives avec le fait que les coûts réels déclarés ont diminué lors des deux dernières années, soit respectivement de 1,1 % et 1,3 %. Faute de plus d'informations sur tous les grands contrats municipaux et leurs conditions, il est difficile de justifier une nouvelle baisse pour l'année 2017 en cours. La hausse postulée de 1 % apparaît prudente dans la mesure où si la progression finalement observée est plus faible, l'écart entre les deux nombres risque d'être limité, sans compter que si l'excédent ainsi généré est important, il sera remboursé aux entreprises.

Espérant le tout conforme, veuillez agréer, Monsieur Brisebois, l'expression de mes sentiments les meilleurs.

Daniel Denis  
Associé KPM

KPMG S.R.L./S.E.N.C.R.L. est une société canadienne à responsabilité limitée et un cabinet membre du réseau KPMG de cabinets indépendants affiliés à KPMG International Cooperative (« KPMG International »), entité suisse.

## Appendix 4 - Executive Summary on the 2018 Schedule of Contributions

Approved by BOD





## Consultation on the 2018 Schedule of Contributions

### Summary



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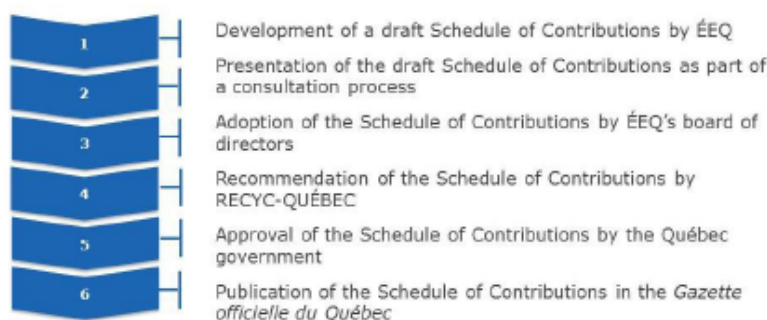
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## Context

Éco Entreprises Québec (ÉEQ) is a private non-profit organization that represents over 3 400 companies and organizations that market containers, packaging and printed matter in Québec as part of their responsibility to finance the net costs of effective and efficient municipal curbside recycling services.

As a sector expert, ÉEQ contributes to the optimization of the value chain of curbside recycling and the implementation of innovative approaches from a circular economy perspective.

Under the *Environment Quality Act (EQA)*, the Schedule that governs the contributions is subject to a special consultation with regulated companies and organizations. The consultation led by ÉEQ is focused on the rules for the application of the Schedule of Contributions, as well as on the contribution table set out for each material category. This official process aims to inform and consult as many companies and organizations subject to the Schedule of Contributions as possible in the steps leading to the adoption and entry into force of the Schedule of Contributions for a given reporting year.



For each Schedule of Contributions, the board of directors of ÉEQ adopts a draft Schedule of Contributions that is presented to companies and organizations as part of a three-week consultation process. Following the consultation activities, ÉEQ assesses the comments it receives and releases a report on the conclusions drawn. The Schedule of Contributions and report are then approved by the Board of directors and submitted to RECYC-QUÉBEC, which evaluates process and stakeholder compliance and makes its recommendation to the government of Québec. Finally, once it is approved by the provincial government, the Schedule of Contributions is published in the *Gazette officielle du Québec*.

This summary provides an overview of the main changes to the contribution table and implementation rules (Schedule of Contributions) for the 2018 reporting year, as well as the table itself. The draft Schedule of Contributions is presented to the organizations subject to the compensation plan at the consultation meetings on October 24 and 26, 2017.

To determine the contribution they are required to pay, targeted companies and organizations must produce a report on the materials they put on the market in Québec and submit it to ÉEQ. The amount of the contribution is determined by multiplying the quantity of each material (in kilograms) by the applicable material rate, as indicated in the contribution table for the reporting year, and then adding these amounts.

## Year in review

### Municipal curbside recycling in Québec

In 2016, over 772 000 tonnes of materials were recovered through municipal curbside recycling in Québec—a slight decrease of 4 000 tonnes (0.5%) since 2015. This reduction is mainly due to the lower weights of containers and packaging, as well as to the lower quantities of certain printed materials and newspapers due to online migration.

In 2016, the net municipal costs decreased by 1.3% as compared to the previous year. This is the second consecutive year in which a decrease in cost has been observed. ÉEQ therefore helps optimize the curbside recycling system to ensure a better cost per tonne of recovered materials ratio through several programs and initiatives, including the Best Practices Initiative for effective curbside recycling to facilitate exchanges between municipal waste managers in a same region and share their success stories and methods to optimize curbside recycling management and calls for bids.

Québec	2015	2016	Variation
Tonnes recovered	776 000	772 000	-0.5%
Net costs excluding taxes	\$147M	\$145M	-1.3%
Population with access to curbside recycling	8 180 000	8 260 000	1.0%
Kg per capita	94	93	-1.5%
Net cost per capita	\$17.80	\$17.80	-2.6%
\$/tonne recovered	\$189/tonne	\$188/tonne	-0.8%

### Study updates

In the past year, the municipal waste characterization study was updated. The recovery rates per material drawn from the study, which was jointly conducted by ÉEQ and RECYC-QUÉBEC, are used to calculate the Schedule of Contributions. The results for 2016 were combined with those for 2012-2015 to determine the average recovery rates for 2012-2016. This new moving average approach fosters a certain degree of stability for the rates in ÉEQ's Schedule of Contributions by curbing recovery rate variations. It is important to note that, all materials considered, the average recovery rate is relatively stable at 63.6%, as compared to 62.1% for 2012-2015.

The cost allocation per activity (ACA) study was updated in 2017. It provides two results used in the Schedule of Contributions: the share of net costs for the three materials categories and the net cost for the 30 materials included in the Schedule of Contributions. The share of costs allocated to the three materials categories confirmed by the Québec government in an amendment to the *Regulation respecting compensation for municipal services provided to recover and reclaim residual materials* is distributed as follows.

Categories	2017 SoC	2018 SoC
Newspaper	8.7%	8.3%
Printed matter	19.4%	20.9%
Containers and packaging	71.9%	70.8%
Total share ÉEQ	91.3%	91.7%

We note that ÉEQ's total share rises from 91.3% to 91.7% where the share of printed matter increases, while that of containers and packaging decreases.

### Continuation of the reporting optimization initiative

Launched in 2015, the reporting optimization initiative continued in 2017 with the rollout of several tools. At the request of contributing companies, the preliminary report was available as of March 1, 2017. The options to automatically receive an invoice when the Schedule of Contributions is published or make instalment payments are currently under study.

Personalized support was provided to a number of reporting organizations.

## Key changes to the Schedule of Contributions

### Net municipal costs

To establish the Schedule of Contributions, ÉEQ must first estimate the net municipal costs to be compensated for the year 2017. For the 2018 Schedule of Contributions, based on the average increase over the past three years, ÉEQ estimates that municipal costs (excluding taxes) will total approximately \$146.5M. This estimate has been validated by KPMG-SECOR.

The deduction for non-designated materials is still 6.6% for the 2018 Schedule of Contributions, as set out in the Regulation on the compensation plan on December 30, 2015. The deduction represents over \$10M for the Schedule of Contributions.

In addition, the share of the costs attributed to the categories represented by ÉEQ has changed to 20.9% for printed matter and 70.8% for containers and packaging.

Finally, the deduction stemming from the application of the Performance and Efficiency (P&E) factor is estimated at 4.5% based on the trends of previous years, leading to lower costs in the amount of approximately \$6.4M.

ÉEQ's share of costs eligible for compensation is therefore estimated at \$136.3M: a decrease of 3.4% for the 2018 Schedule of Contributions as compared to 2017.

Cost	2017 SoC	2018 SoC
Net municipal costs	\$151.6M	\$146.5M
QST	\$7.2M	\$7.0M
Reported net municipal costs	\$158.8M	\$153.5M
Non-targeted materials deduction	\$(10.5)M	\$(10.1)M
P&E factor deduction	\$(5.9)M	\$(6.4)\$
Municipal management costs (8.55%)	\$12.2M	\$11.7M
Newspaper deduction (8.3%)	\$(13.4)M	\$(12.3)M
ÉEQ municipal compensation	\$141.1M	\$136.3M
Variation	-1.4%	-3.4%



### ÉEQ fees and other provisions

Other fees are added to the compensation costs to determine the total contribution paid by companies.

ÉEQ's 2018 budget process is still underway. In order to establish the Schedule of Contributions, ÉEQ's fees were set at \$6M to cover management fees and the costs related to curbside recycling value chain knowledge and optimization projects and studies and the resources that support the organization's activities. The final budget will be approved by the board of directors in December and will be taken into account in the final Schedule of Contributions.

In total, considering the indemnity paid to RECYC-QUÉBEC under the *Regulation* and the costs related to bad debt (deduction from the expected flat fees), a total amount of \$10.3M was used in the calculation of the Schedule of Contributions: an increase of 4.0%.

Cost	2017 SoC	2018 SoC
ÉEQ fees	\$5.5M	\$6.0M
RECYC-QUÉBEC indemnity	\$2.7M	\$2.7M
Bad debt provision	\$3.0M	\$3.0M
Flat fees deduction	\$(1.3)M	\$(1.3)M
Other fees	\$9.9M	\$10.3M
Variation	+0.2%	+4.0%
Innovative Glass Works plan	\$0M	\$2M*

\* Applicable only to the glass category

In addition, a contribution of \$2M is specifically added to the glass category to finance the Innovative Glass Works plan.

### Lower total costs

The total contribution considered in the formula to determine the Schedule of Contributions is \$147.7M, which represents an overall decrease of 2.6% as compared to 2017.

	2017 SoC	2018 SoC
ÉEQ municipal compensation	\$141.1M	\$136.3M
Other fees	\$9.9M	\$12.3M
Innovative Glass Works plan	---	\$2.0M
Provision for recycled content credit	\$0.6M	\$0.6M
Risk and rate stabilization fund	---	\$(1.5)M
ÉEQ total contribution	\$151.7M	\$147.7M
Variation	+0.8%	-2.6%

### Limited rate increase

For the 2018 Schedule of Contributions, none of the rates increase more than 50% and therefore no rate increase limitation measures were applied. The rate variations are presented in the following pages.

### Use of the Printed Matted fund

The funds' policy stipulates that the risk and rate stabilization fund shall be between 2.5 and 12.0% of the amount of ÉEQ's municipal compensation. Because the fund is currently within this range, there is no need to earmark an amount to this effect.

However, considering the important increase in certain rates in the printed matter category as a result of the increase in the cost share and the decrease of the generated quantities, the Board of directors of ÉEQ chose to allocate an amount of \$1.5M from the Printed matter fund to mitigate the rate increase.

### Expected reported quantities

For the 2018 Schedule of Contributions, the expected reported quantities total 655 000 tonnes, versus 639 000 tonnes for the 2017 Schedule of Contributions. For the printed matter category, the reported quantities appear to be declining, while there is an increase in the amounts of containers and packaging.

To stabilize the rates and aim for greater fairness between companies and materials, as of the 2018 Schedule of Contributions, organizations must report the printed matter, containers and packaging sold as products, including:

- food bags and packaging film
- food containers
- disposable beverage containers
- birthday and celebration supplies
- stationary, etc.

This change leads to an increase in reported quantities of approximately 7 000 tonnes.



### Lower average rate

The average rate of the 2018 Schedule of Contributions is \$226/tonne—a decrease of 5% as compared to the 2017 Schedule of Contributions.

	2017 SoC	2018 SoC
ÉEQ total contribution	\$151.7M	\$147.7M
Expected reported quantities	639 000 t	655 000 t
Average rate	\$237/t	\$226\$/t
Variation	+0.6%	-5.0%

Analyses of the impact on companies' individual contributions indicate that over 80% of companies will see a reduction in their 2018 contribution as compared to 2017.

### Flat fee

The amounts of the contributions of companies eligible to pay a flat fee remain unchanged.

Flat fee eligibility criteria		2017 SoC	2018 SoC
Based on tonnage	1 to 2.5 tonnes	\$420	\$420
	2.5 to 5 tonnes	\$890	\$890
	5 to 10 tonnes	\$1 775	\$1 775
	10 to 15 tonnes	\$2 965	\$2 965
Based on revenues	\$1 to \$2M	\$2 965	\$2 965

## CONTRIBUTIONS TABLE

Material	2018 SoC (€/kg)	Variation vs. 2017 SoC
<b>Printed matter</b>		
Newsprint inserts and circulars	18.343	-0.9%
Catalogues and publications	26.826	4.5%
Magazines	26.826	4.5%
Telephone books	26.826	4.5%
Paper for general use	26.826	4.5%
Other printed matter	26.826	4.5%
<b>Containers and packaging</b>		
<b>Paperboard</b>		
Corrugated cardboard	17.546	-8.0%
Kraft paper shopping bags	17.546	-8.0%
Kraft wrapping paper	17.546	-8.0%
Boxboard and other paper packaging	19.296	-6.8%
Gable-top containers	18.643	-10.9%
Paper laminants	27.338	-5.6%
Aseptic containers	22.277	-6.3%
<b>Plastic</b>		
PET bottles	27.225	-1.7%
HDPE bottles	10.493	-35.3%
Plastic laminants	44.486	-10.7%
HDPE and LDPE film	44.486	-10.7%
HDPE and LDPE shopping bags and others	44.486	-10.7%
Expanded polystyrene - food packaging	73.369	3.6%
Expanded polystyrene - cushioning packaging	73.369	3.6%
Non-expanded polystyrene	73.369	3.6%
PET containers	27.225	-1.7%
Poly(lactic acid (PLA) and other degradable plastics	73.369	3.6%
Other plastics, polymers and polyurethane	27.545	-13.0%
<b>Aluminium</b>		
Aluminium containers for food and beverages	16.641	14.2%
Other aluminium containers and packaging	16.641	14.2%

Material	2018 SoC (€/kg)	Variation vs. 2017 SoC
<b>Containers and packaging</b>		
<b>Steel</b>		
Aerosol containers	16.665	4.0%
Other steel containers	16.665	4.0%
<b>Glass</b>		
Clear glass	17.875	-5.1%
Coloured glass	17.877	-5.5%

### Explanation of the rate variations

For the 2018 Schedule of Contributions, the rates vary between -35% and 14%.

Most of the rates are lower because the costs to be compensated are lower than they were in the 2017 Schedule of Contributions.

Rate variation	Number of materials
< 0%	17
0% to 4%	6
4% to 14%	7

Materials	Explanations of variations of over 2%
Catalogues and publications Magazines Telephone books Paper for general use Other printed matter	+4.5% Increase in printed matter Decrease in expected reported quantities
Expanded polystyrene - food packaging Expanded polystyrene - cushion packaging Non-expanded polystyrene PVC, Polylactic acid (PLA) and other degradable plastics	+3.5% Increase in net material costs Increase in reported quantities for the group's highest priced materials
Aluminium containers for food and beverages Other aluminium containers and packaging	+14.2% Increase in net material cost
Aerosol containers Other steel containers	+4.0% Increase in net material cost

### RULES

The only changes to the 2018 Schedule of Contributions are those required to consider the new reference year.

Should the upcoming regulatory changes aiming to confirm the cost allocation for the materials categories introduce new changes, the rules will be amended accordingly.



Appendix 5 - Questionnaire on the 2018 Schedule of Contributions

Approved by BOD

### SURVEY

#### 1. Do you agree with the changes to the application rules and methodology for developing the 2018 Schedule of Contributions provisionally approved by ÉEQ's Board of Directors?



Application rules and methodology for developing a Schedule of Contributions	Completely disagree	Somewhat disagree	No opinion	Somewhat agree	Completely agree
1. Considering that the investments made under the Innovative Glass Works Plan are intended for the development of glass outlets and the implementation of a 6 <sup>th</sup> experimental pilot project, <b>allocate the 2M\$ investment directly to this material in the fee structure formula.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Considering the increase in printed matter rates due to the increase in their share of the costs, determined by the updated study on the activity based costing, as well as the decrease in the expected quantities, <b>inject \$1.5M from the printed matter fund to mitigate this increase.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Considering that since 2013, short-life containers and packaging sold as products are considered as designated materials by the Regulation and that municipal costs eligible for compensation cover these curbside recycling materials <b>include in the calculation of expected quantities, containers, packaging and printed matters sold as products for the purpose of equity and consistency.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Considering that certain containers and packaging, by their function, can never end up in the curbside recycling, <b>exclude containers and packaging specifically intended to contain waste, compost materials or hazardous materials.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Considering that a large proportion of companies eligible for a flat fee generate printed matter and that 50 % of the time of ÉEQ agents is spent responding to small companies, <b>keep the flat fees at the same amount as in 2017.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please give us your comments and suggestions:

1

Please return this survey by fax or by e-mail **before November 15, 2017**  
 ☎ 514 987-1598 ✉ [service@ecoentreprises.qc.ca](mailto:service@ecoentreprises.qc.ca)



SPECIAL CONSULTATIONS ON THE SCHEDULE OF CONTRIBUTION 2018

SURVEY

Survey respondent identification

2. Did you participate in any of the 2018 companies' consultation on the Schedule of Contribution? If yes, please specify which. ☐ yes ☐ no

☐ Montreal ☐ Web broadcast Montreal ☐ Toronto ☐ Web broadcast Toronto

3. Check the box next to the sector and sub-sector that best describe your company :

☐ Retailer/distributor ☐ Manufacturing ☐ Service company ☐ Other: \_\_\_\_\_

<input type="checkbox"/> Insurance, finance, real estate	<input type="checkbox"/> Construction and gardening materials	<input type="checkbox"/> Hardware stores
<input type="checkbox"/> Publishing	<input type="checkbox"/> Food and food products	<input type="checkbox"/> Food service and accommodations
<input type="checkbox"/> Electronics	<input type="checkbox"/> Automotive parts	<input type="checkbox"/> Public utilities
<input type="checkbox"/> Public institution	<input type="checkbox"/> Chemicals products (cleaners)	<input type="checkbox"/> Clothing and accessories
<input type="checkbox"/> General merchandise	<input type="checkbox"/> Cosmetic, health and pharmaceutical	<input type="checkbox"/> Other: _____

4. What level of contribution did your company pay for the 2017 Schedule of Contribution? ☐ NA ☐ ≤ \$100 000 ☐ > \$100 000

Name (optional): \_\_\_\_\_ Tel.: \_\_\_\_\_

Company: \_\_\_\_\_ E-mail: \_\_\_\_\_

Please return this survey by fax or by e-mail **before November 15, 2017**  
☎ 514 987-1598 ✉ [service@ecoentreprises.qc.ca](mailto:service@ecoentreprises.qc.ca)

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Appendix 6 - Correspondence received through the 2018 Schedule of Contributions consultation process

Approved by BOD

November 15, 2017

Éco Entreprises Québec  
1600, René-Lévesque Blvd. West, Suite 600  
Montréal (Québec) H3H 1P9  
Via E-mail: [service@ecoentreprises.qc.ca](mailto:service@ecoentreprises.qc.ca)

**RE: 2018 Schedule of Contributions Consultation**

To Whom It May Concern:

On behalf of Food & Consumer Products of Canada (FCPC) to provide our comments on the 2018 Schedule of Contributions, as presented at Éco Entreprises Québec's (ÉEQ) consultation held in Toronto on October 26.

FCPC and its members are pleased that this is the second consecutive year in which there has been a decrease in net municipal costs. We continue to support ÉEQ's efforts to optimize the curbside recycling system to ensure a better cost per tonne of recovered materials.

Our comments today are focused on the new orientations on broadening materials subject to a fee, namely short-life containers and packaging sold as products. These materials include:

- Food bags and packaging film (e.g., aluminum foil, plastic wrap, waxed paper, parchment paper, sandwich and freezer bags, paper liners for muffins, paper lunch bags, etc.)
- Disposable food and beverage containers (e.g., aluminium plates and containers, plates, bowls, cups, lids, etc.)
- Birthday and celebration supplies
- Stationery
- Household products
- Leisure and crafts

At the consultation, ÉEQ presented the principles that support the broadening of these materials which include:

- Equity
- Predictability
- Simplicity
- Materials Harmonization
- Auditability
- Applicability
- Accountability

In the context of broadening the materials, FCPC recommends the addition of two critical principles that we hope ÉEQ will consider: consumer role and system capacity.

Waste management is a shared responsibility and we all have an important role to play, especially consumers. It cannot be overstated how important the consumer role is to the success of Québec's packaging recycling program. Ultimately, it is the consumer who decides how to dispose of their recyclables and waste; and this program's success rests with the consumer properly sorting their materials and placing the right materials in the recycling bin.

There needs to be a greater emphasis on ensuring the consumer understands their role in sorting recyclables from waste as it is indispensable and must be factored into all decision making when it comes to considering changes to the packaging recycling program. It cannot be overstated how important it is to consider the consumer role and the direct link it has into achieving recycling results.

ÉEQ has explained that the broadening of materials with the addition of these new product categories are simply additions to the stewardship reporting and payment of fees, as these items are already being placed into recycling bins. But this begs the question, is the program intended to adapt to what consumers are placing in their recycling bins, or should consumers be adapting to what the program accepts? We believe it should be the latter – the consumer must do their part at the curb by properly sorting and recycling their waste. If the consumer does not understand their role, or if they are confused but what is recyclable or accepted in the Blue Box program, they will compromise the integrity and success of the program, as well as quantity and quality of materials placed in the bin.

However, while the consumer role is fundamental, it also not enough on its own to ensure success, which leads us to recommend a second principle: system capacity. It is also very important to address if system capacity and technology exists to collect, process and market the materials being collected. As ÉEQ has explained, short-life containers and packaging sold as products are already being placed in recycling bins, but we request clarification if those materials are being collected, recycled and marketed.

While we appreciate and understand the legal parameters of the *Regulation respecting compensation for municipal services provided to recover and reclaim residual materials* under the *Environment Quality Act* that obligates companies to finance the recovery of containers, packaging and printed matter, we are concerned that companies are financing materials that are not being recycled. And furthermore, we are concerned by the possibility of losing the gains made in the system and creating greater waste by bloating the system because we are trying to accommodate a recycling bin of whatever consumers place in it.

ÉEQ has made significant progress in working with municipalities to optimize and create efficiencies and we would not want to see that progress be diminished or jeopardized as focus will shift from improving the effectiveness of the current system, to trying to determine how to handle materials that are not compatible with the system, or worse, that will contaminate other recyclables and create more waste.

Having companies pay for every material put on the marketplace does not achieve the government's goal to "protect the environment and the living species inhabiting it". This must be about more than just financing; it must be about environmental benefit and ensuring that the materials placed in the recycling bin are recycled. The intention of the Regulation is to prevent and reduce the impact of residual materials on the environment. Broadening the material



categories to include short-life containers and packaging sold as products could have the unintended consequence of creating more waste due to contamination and insufficient infrastructure and capacity issues, which would ultimately defeat the purpose of the Regulation.

We urge ÉEQ to seek a reasonable balance between Quebec's legislative requirements and achieving demonstrable environmental benefits, without jeopardizing the success and effectiveness of Québec's recycling system, as it considers broadening materials.

While we understand that the short life containers and packaging sold as products are considered as designated materials by Regulation, and we appreciate that ÉEQ has taken the time to study this category closely before requiring stewards to report and remit fees, we believe it is critical that a plan be in place to ensure that the materials are uniformly collected and recycled across the province. If ÉEQ intends to broaden the material categories to include short-life containers and packaging sold as products, there needs to be a process in place to ensure that municipalities collect the new material.

Again we recommend the addition of principles on the consumer role and system capacity that must be factored into all decision making when it comes to considering changes to the packaging recycling program – including the broadening of material to include short-life containers and packaging sold as products.

We look forward to continuing to work closely and hope you will look to FCPC as a resource to ÉEQ. If you have any questions, please don't hesitate to contact us.

Sincerely,

Rachel Kagan  
Vice President, Environmental Sustainability Policy





CONVICTIONS • COHÉRENCE • ENGAGEMENT

Mirabel, le 14 novembre 2017

Éco Entreprises Québec  
1600, boul. René-Lévesque Ouest, bureau 600  
Montréal, QC H9H 1P9

**Objet : CONSULTATIONS PARTICULIÈRES SUR LE TARIF 2018**

Madame, Monsieur

Cycle environnement représente présentement 13 entreprises assujetties chez Eco Entreprises Québec.

**Beto-Bloc • David's TEA • Dunn's • Gaz Métro • Global MJL • Intervet Canada • La Petite Bretonne • Merck Canada • Odessa Poissonnier • PIIDEA • SEPHORA • Sopar International • Valener**

Nous sommes premiers répondants pour onze d'entre elles. Notre objectif est d'offrir un service de déclaration qui est facilitant autant pour les entreprises que votre organisme en assurant diligence et éthique dans notre service et fiabilité des données déclarées. Le tout pour assurer que l'ensemble des entreprises paient le juste prix selon les contenants, emballages et imprimés qu'elles mettent en marché pour le secteur résidentiel.

**En leurs noms, nous désirons apporter quelques commentaires et questionnements concernant les tarifs futurs.**

Le commerce électronique connaît présentement une forte croissance, partout dans le monde et le Québec n'y échappe pas. Certaines grandes entreprises, n'ayant aucun siège social au Québec, génèrent une quantité importante, mais inconnue de contenants, emballages et imprimés dans la collecte sélective municipale.

Présentement, ces entreprises ne contribuent aucunement au financement de la collecte sélective municipale. C'est l'ensemble des entreprises assujetties qui doivent contribuer, de façon indirecte (en ayant des tarifs plus élevés) pour ces matières mises en marché par des compétiteurs. Concernant cet enjeu nous avons deux questions :

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12805, rue du Parc, Mirabel QC Canada J7J 1P3  
450 437-2225 [cycleenvironnement.com](http://cycleenvironnement.com)

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1. Est-ce que Éco Entreprises entreprendra une étude pour améliorer sa connaissance sur les quantités de contenants, emballages et imprimés mis en marché par des entreprises « externes » de commerce électronique afin de connaître les tonnages et types de matières que cela représente ?
2. Est-ce qu'un amendement au règlement est envisageable pour que ces entreprises deviennent assujetties à compenser la collecte sélective municipale ou à tout de moins que les entreprises assujetties n'aient plus à payer pour le volume généré par les entreprises dites non-résidentes ?

Dans un deuxième ordre d'idées, les municipalités ne sont pas assujetties au régime de compensation de la collecte sélective. Pourtant, elles sont aussi responsables d'une quantité non négligeable d'imprimés pour lesquels, les entreprises assujetties doivent aussi contribuer de façon indirecte, en ayant des tarifs plus élevés. Ces imprimés prennent plusieurs formes : bulletins municipaux, lettres, compte de taxes, publicité, etc. Nous avons calculé, pour une seule municipalité, la valeur de la compensation uniquement du bulletin municipal dont 21 850 exemplaires sont distribués 6 fois par année à l'intérieur d'un sac en plastique transparent. Ceci représente 11 325,36 kg de papier et 611,70 kg de pellicule LDPE. Une entreprise qui mettrait en marché ce type de bulletin devrait payer, selon les tarifs 2018, 3310.26\$. Comme il s'agit d'une estimation très sommaire, basée sur un seul document, nous croyons que la somme des imprimés que les municipalités distribuent à leurs résidents est non négligeable et que pour être équitable et juste envers tous, les entreprises ne devraient pas payer pour ces matières. Pour cet enjeu, nous avons une question :

1. Est-ce que Éco Entreprises discutera avec le secteur municipal pour trouver une solution juste et équitable afin que toutes les entités qui mettent en marché des contenants, emballages et imprimés (incluant les municipalités) paient le juste prix pour le régime de compensation de la collecte sélective ?

Nous sommes confiants que vous prendrez en compte ces commentaires lors de l'élaboration des prochains tarifs. Nous demeurons disponibles si vous avez des questions ou désirez notre collaboration dans ces deux dossiers.

Cordialement,



**Marlène Hutchinson, M. Env.**  
Présidente de Cycle environnement

QUESTIONS CYCLE ENVIRONNEMENT  
CONSULTATIONS PARTICULIÈRES SUR LE TARIF 2018

 Cycle  
ENVIRONNEMENT



Electronics Product  
Stewardship Canada | Recyclage des produits  
électroniques Canada  
www.epsc.ca | www.rpec.ca

Maryse Vermette  
Éco Entreprises Québec (ÉEQ)  
1600, René-Lévesque Blvd. West, Suite 600  
Montréal, Québec, H3H 1P9  
[mvermette@eeq.ca](mailto:mvermette@eeq.ca)

November 15, 2017

**Re: Comments on the Future Schedule of Contribution and Current Projects**

Maryse,  
Thank you to you and your team for hosting the steward consultation meeting on the 2018 Schedule of Contributions on October 26<sup>th</sup>.

Members of EPSC have raised several concerns regarding the future schedule of contributions and current projects, which this letter will bring to your attention.

**IC&I Packaging Materials**

EPSC does not support EEQ's proposal to obligate commercial packaging materials. Obligating commercial cardboard for example, would add a significant financial burden to stewards in some cases quadrupling their current remittances. Responsibility for this packaging is also complex, creating compliance issues. A level playing field will be hard to maintain because some Stewards will attempt to comply while others simply can and will not. The current obligation of consumer packaging only is supported.

**E-commerce**

Free riders, not paying for their packaging materials mainly from e-commerce sales, presents a significant challenge in maintaining a level playing field. EPSC recommends that EEQ request payment from the RECYC Green Fund to compensate for free riders until they can be brought into compliance. Not having provisions for these sales, puts the level playing field principle out of reach.

**Circular Economy**

EPSC members do not support subsidizing circular economy initiatives through revenues collected from Stewards. The market should be allowed to work on its own and in time will ensure the long-term viability of profitable markets for recyclable packaging.

**Reporting**

Simplification of reporting is always appreciated. For example, if the reporting methodology has not changed from one year to the next, allow members to copy previous year's information instead of having to enter it line by line again.

Sincerely,

Shelagh Kerr  
President and CEO  
EPSC

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Electronics Product Stewardship Canada / Recyclage des produits électroniques Canada,  
250 Merton Street, Suite 407, Toronto, Ontario M4S 1B1 Tel: 647 351 7415

**De :** Shan Chaudhuri [<mailto:Shan.Chaudhuri@clorox.com>]

**Envoyé :** 15 novembre 2017 17:17

**À :** Service

**Cc :** Marie-Julie Bégin

**Objet :** 2018 Schedule of Contributions Consultation

Dear EEQ,

Thanks for your consultations in the recent past and coming to Toronto for the in person consultations.

We are first importers and brand owners and sell same products across Canada. We are not directly impacted by the investments made under the Innovative Glass Works Plan that are intended for the development of glass outlets and the new implementation of a 6th experimental pilot project. That the allocation of direct investment of 2M\$ to this material in the fee structure formula has been made - how will this impact other fee material classes, will there be cross subsidization, did the funding come from stewards in the glass category or did monies collected from overall (or other) stewardship fees paid for this investment. If yes, how will the non-glass stewards benefit from this investment?

Considering that since 2013, short-life containers and packaging sold as products are considered as designated materials by the Regulation and that municipal costs eligible for compensation cover these curbside recycling materials include in the calculation of expected quantities, containers, packaging and printed matters sold as products for the purpose of equity and consistency is surprise and shock to us. The materials have been designated without consultation on whether the systems are in place to manage them.

The integration of materials generated by Business to business commerce (B2B) is considered for the next Schedules of Contribution. This is even more concerning as they should be designated as business costs and not have stewards pay for the end of lifecycle costs. Our comments today are focused on orientations on broadening materials, namely short-life containers and packaging sold as products subject to a fee and the analyzing of the performance of materials in the value chain has been presented for future Schedules of Contribution.

These materials include several including:

- 1) Food bags and packaging film
- 2) Disposable food and beverage containers (e.g., aluminum plates and containers, plates, bowls, cups, lids, etc.)
- 3) Birthday and celebration supplies

In the context of broadening the materials, we recommend addition of two critical principles that we hope ÉEQ will consider: consumer role and system capacity.

Waste management is a shared responsibility and we all have an important role to play, especially consumers. It cannot be overstated how important the consumer role is to the success of Québec's packaging recycling program. There needs to be a greater emphasis on ensuring the consumer understands their role in sorting recyclables from waste. It is critical that the consumer role and the direct link it has into achieving recycling results is recognized.

ÉEQ has explained that the broadening of materials with the addition of these new product categories are simply additions to the stewardship reporting and payment of fees, as these items are already being placed into recycling bins. And if yes, then are they being collected, recycling and the material made available for manufacturers in Canada to generate new products? We believe it should be the latter – the consumer must do their part at the curb by properly sorting and recycling their waste. It is also very important to address if system capacity and technology exists to collect, process and market the materials being collected. Based on what is available publicly on the 4 largest municipalities in Quebec – Montreal, Quebec City, Gatineau and Laval - Quebec City does not allow plastic bags in recycling, Montreal only specifies grocery carry-out sacs, Gatineau does not accept plastic bags or wraps.

Though the new materials are designated, we are concerned that companies are financing materials that are not being recycled. And furthermore, we are concerned by the possibility of losing the gains made in the system and creating greater waste by bloating the system because we are trying to accommodate a recycling bin of whatever consumers place in it. This may also potentially lead to lack of reverse innovation as the incentive to manufacture recyclable materials per new expanded material list is being reduced. If new materials are no longer collected through recycling stream and go to landfill, then stewards do not have to pay EPR fees – thus goes against the very principle of EPR.

We urge ÉEQ to seek a reasonable balance between Quebec's legislative requirements and achieving demonstrable environmental benefits, without jeopardizing the success and effectiveness of Québec's recycling system, as it considers broadening materials.

While we understand that the short life containers and packaging sold as products are considered as designated materials by Regulation, and we appreciate that ÉEQ has taken the time to study this category closely before requiring stewards to report and remit fees, we believe it is critical that a plan be in place to ensure that the materials are uniformly collected and recycled across the province and have system in place prior to collecting and asking stewards to pay for them. Please share out the current data on these material collection in Quebec and most importantly if the systems are in place.

We will be happy to work with you directly or through our trade association – FCPC.

Sincerely,  
**Shan Chaudhuri**  
 Regulatory & Government Affairs  
 The Clorox Company of Canada Ltd.  
 905-595-8309 P



**De :** Erickson, Shannon [<mailto:Shannon.Erickson@staples.ca>]

**Envoyé :** 15 novembre 2017 16:56

**À :** Service

**Cc :** Rap, Curtis

**Objet :** EEQ 2018 Schedule of Contributions Feedback

Bonjour,

Staples Canada has participated in the consultation meetings and reviewed the supporting documentation regarding the 2018 Schedule of Contributions and changes to the EEQ "Containers and Packaging" and "Printed Matter" classes regarding the rules governing the fees and contribution tables. As requested we are taking the opportunity to provide comments and feedback for consideration. Please let us know if you have any questions about our comments and wish to discuss further.

We are concerned about the new classes rolling out for 2018. We have concerns that the items defined as single use products are too overarching. Here are some of our concerns.

- There are many items that are deemed single use/short life products such as journals, scrapbooks are saved over time and not short life.
- There are items that are excluded such as the news paper category that are typically short life products. They should be subject to sharing the cost, in the same effort to seek equity that has been outlined in the SoC.
- Many single use items will result in contamination and thus increase costs such as aluminum, parchment paper, plates bowls and containers
- Many items indicated may have mixed materials and are difficult to define. Especially as a retailer, we are not the manufacturer of many of the products and not able to easily access to all of the material information. This adds to increased administration to setup this program.
- There is a large amount of new product categories included. The amount of administration required to review, collect data and setup this program for 2018 is a heavy burden to stewards, especially for retailers. It would be best to have a phased approach to roll out any changes to help with budgeting and the administration impact.

In summary we feel that more time is needed to thoroughly review the definition of single use and short life products, with active consultation with Stewards, to help ensure the right items are included. Thank you for considering our feedback as part of your consultation review

Regards,

Shannon Erickson

Environmental Stewardship and Compliance Specialist

Staples Canada

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T: 905-737-1147

[Shannon.erickson@staples.ca](mailto:Shannon.erickson@staples.ca)

## Commentaires et suggestions adressés par Cotsco dans le questionnaire

The proposed definition of materials considered to be short-life containers and packaging is far too broad and includes items that are extremely unlikely to ever be placed in the blue bin (i.e. file folders, scrap books, sheet protectors). Additionally, the list of materials does not seem to have any regard for the fact that many of the materials are likely to be highly soiled from food (paper plates, parchment paper, aluminum foil, etc). An extensive education campaign should be undertaken to specifically inform the public that all of these materials should be placed in the blue bin, as well as any measures that should be taken before doing so (i.e. rinse foil). If any of these new materials are not in fact recyclable, they should not be included in the fee schedule (i.e. biobased plastics?). Additionally, we had anticipated that the fee rates were going to be reduced to reflect the wider range of reportable items with the inclusion of shortlife span products, however the material rates have not been reduced enough. The proposed fees will add more than \$2, or over 10%, to the cost of some items, and we feel as though this is simply unacceptable for the consumer, especially if the material will never be placed in the recycling bin. In fact we even provided sales figures for newly obligated items to help EEQ gain a better picture of total sales of these types of items in the hope that the material rates would be significantly reduced, however we are highly disappointed that the rates were not reduced enough. EEQ mentioned in its presentation that total costs would be reduced for roughly 80% of reporting organizations, however this figure must be based on the number of stewards and not necessarily their share of the total cost. Although 80% of organizations may experience a decrease, what percentage of the total obligation does this 80% represent? We feel as though large retailers such as ourselves are all going to have a significant increase in cost. Businesses that use their own private waste management services should be excluded from any future schedule of contributions which cover the IC&I sector.





PAR COURRIEL

Montréal, le 30 novembre 2017

Madame Maryse Vermette  
Présidente-directrice générale  
Éco Entreprises Québec  
1600, boul. René-Lévesque Ouest  
Bureau 600  
Montréal (Québec) H3H 1P9  
service@ecoentreprises.qc.ca

Objet : Commentaires de la SAQ concernant le projet de tarif 2018

Madame,

Nous souhaitons vous faire part de nos commentaires sur les tarifs proposés par votre organisme à la suite de la consultation particulière effectuée en octobre dernier.

Nous aimerions comprendre les principes qui guident l'orientation, présentée en consultation, de financer les activités liées au Plan Verre l'innovation par les générateurs de verre, alors que dans les tarifs précédents, depuis l'inauguration du Plan en 2015, ces dépenses ont été attribuées à toutes les matières. Nous sommes d'avis que compte tenu qu'un meilleur tri du verre génère des bénéfices à l'ensemble des matières, ces dépenses devraient être assumées par l'ensemble des contributeurs. Nous sommes donc en désaccord avec l'attribution du 2M\$ uniquement aux générateurs de verre.

Nous tenons cependant à réitérer que nous croyons aux projets-pilotes d'expérimentation et que ceux-ci constituent une avancée dans le recyclage du verre au Québec, qui s'aligne avec nos objectifs de soutenir l'innovation, la recherche et le développement entourant le recyclage du verre et les initiatives visant à donner une valeur au verre recyclé dans le système de collecte sélective québécois.

**Diminution des coûts nets municipaux**

Cette répartition sur l'ensemble des matières est tout à fait logique, puisque c'est bel et bien l'ensemble des matières qui bénéficient des retombées du Plan Verre l'innovation. En l'occurrence, un meilleur tri et une plus grande valeur de revente du verre, contribuent directement à réduire les coûts nets municipaux déclarés annuellement pour la collecte sélective, ce qui résulte en une diminution des montants à compenser pour l'ensemble des matières traitées par le système et non pas seulement pour le verre.



#### Analyse des coûts par activités (ACA)

##### *Usage de la densité dans le modèle ACA*

Nous savons qu'en matière de collecte et de transport des matières résiduelles, qui représente 50 % des coûts de l'ACA, la notion de volume (et non de poids) est déterminante, puisqu'elle limite la capacité de chargement d'un camion. Le fait que l'ACA 2016 considère la densité du verre uniquement pour la portion tri et conditionnement du calcul des coûts nous apparaît inéquitable. Nous croyons que la même densité devrait aussi être utilisée pour le transport et la collecte des matières. L'utilisation de cette mesure serait fidèle à la réalité et aurait comme impact de réduire de près de 30 % les coûts associés au verre, assurant ainsi une équité entre les matières.

#### Conclusion

En conclusion, nous sommes d'avis que le conseil d'administration de ÉEQ doit :

- répartir la contribution de 2 M\$ à l'ensemble des matières et non pas seulement au verre;
- considérer l'utilisation de la densité dans la portion du calcul associée au transport de l'ACA 2016;
- nous communiquer le détail de l'ACA 2016.

Enfin, comme le siège du représentant de la SAQ a été vacant depuis de nombreux mois, nous réitérons notre souhait d'intégrer le plus rapidement possible la nouvelle représentante de la SAQ au conseil d'administration de ÉEQ afin de continuer à prendre part aux échanges et décisions entourant le financement et l'optimisation du système de collecte sélective québécois. Il est important de souligner que la facture de la SAQ représente environ 100 000 tonnes de verre par année, soit près de 70 % des contributions associés à cette matière.

Meilleures salutations,

Cédéanne Simard  
Directrice Service Développement Durable  
Société des alcools du Québec

c.c. Alain Brunet, Président et chef de la direction de la SAQ  
c.c. Maryse Vermette, Présidente-directrice générale de ÉEQ  
c.c. Virginie Bussi res, Directrice, Communications et affaires publiques de ÉEQ