

# DISTRIBUTOR'S Journal

ENCORP  
ATLANTIC INC

## WINTER

### TAXABLE VS. NON-TAXABLE

Under the provincially legislated "half-back" system in New Brunswick, a tax inclusive deposit of 10¢ is imposed on containers for non-alcoholic beverages but only half this amount, or 5¢, is given back to a consumer on the return of the container.

Only the refundable 5¢ portion of the deposit would be excluded from the tax base while the other 5¢ that is not refunded to the consumer will continue to be subject to tax on the same basis as the beverage.

You can access the Canada Revenue Agency's Info Sheet on taxable and zero rated beverages via our website to learn more about which product is taxable and which is zero rated. Go to [www.encorpatl.ca](http://www.encorpatl.ca). Select your language preference by clicking on the Welcome or Bienvenue icon. Click on USER on the green menu bar and select DISTRIBUTORS. Go to section "Information about deposit remittances" and select link to CRA site "CRA GST/HST Info Sheet taxable/zero-rated beverages".

To avoid the complexity of all retailers having to determine the amount of tax for the non-refundable portion of the deposit to calculate their input tax credits and remittances, special rules apply having the effect of requiring only the first supplier in the distribution chain who imposes the deposit to account for and remit tax on the taxable non-refundable portion of the deposit.

The following is the calculation of the amount to be remitted to Encorp for each 10¢ deposit you collect on a **taxable** sale:

- Refundable portion 5¢
- Non-refundable portion 5¢
- Your liability for HST 0.575¢ (13/113 of non-refundable portion)
- Remittance to Encorp 9.425¢
- For each 10¢ deposit you collect on a **non-taxable or zero-rated** sale, you will remit 10¢ to Encorp since there is no HST included in the deposit.



We encourage each distributor to seek professional advice when in doubt of the taxability or non-taxability of the beverage/container.

## REVIEW OF BEVERAGE CONTAINER PROGRAM

The Province of New Brunswick has undertaken a review of all the processes under the Beverage Container Program. Over the past several months, the Department of Environment and Local Government has conducted a process improvement project and a consultant has carried out an independent assessment on potential efficiencies and program enhancement.

The current review of the Beverage Containers Act by the Province of New Brunswick offers a perfect opportunity to renew the long-standing partnership in the management of post-consumer beverage containers. Driven by a need to demonstrate innovative leadership, we possess the collective knowledge to make the New Brunswick model a true leader in beverage container management programs in North America.

After 20 years, Encorp Atlantic is committed to maintaining a leadership role in the management of post-consumer beverage containers in New Brunswick. Industry has demonstrated that it can best manage this program by having stewardship control. The current Encorp Board of Directors has discussed how to evolve its governance structure to reflect current industry sector stakeholder interests.

Our recommendations forwarded to the Review Committee are based on a review of over 20 years of data and information available on the New Brunswick program. The fundamental principles used in this review are:

- Program sustainability;
- Optimization of the recovery rate;
- Consumer safety and convenience;
- Improvements to the business model of the collection network.



With the current review of the New Brunswick Beverage Container Act, we have an opportunity to create a convenient, efficient and forward-thinking Beverage Container Program of which we can all be proud. All will agree that a smarter footprint for beverage container collection and management in this province is needed.

Our review included on-the-ground assessments with visits to all 73 redemption centres in the province. During site visits, a common thread emerged: labour is a significant challenge to most centre owners in New Brunswick. From a planning perspective, we feel that by evolving the current single-stream approach to a multi-stream one we could provide an opportunity for a new structured operating model that would be volume-driven and standardized for the benefit of all stakeholders. This reengineering could be done over a three to five year period and create new business opportunities for current redemption centre owners.

We must make use of available technology to drive accuracy and efficiency to the process of managing the more than 400 million post-consumer beverage containers per year in New Brunswick.

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## ▶ ENCORP ANNOUNCES A 3-YEAR PILOT PROJECT

The proposed pilot project announced recently consists of conducting a series of initiatives and experiments over a 36-month period at the consumer-depot level. The project will attempt to measure system improvements and overall efficiencies in recycling depot (redemption centre) systems, standards and management.

It is obvious from an assessment of the current operations of the beverage container program in New Brunswick that any future efficiency will be at the redemption centre level. Encorp is committed to improving redemption levels, consumer convenience and improving the business model of redemption centres in New Brunswick.

The project will be designed to drive efficiencies in this labor-intensive program and explore options to create added convenience to the public, thus increasing levels of recycling and simultaneously improving health and safety aspects, and improving the very experience of redeeming post-consumer beverage containers.

With the launch date scheduled for Earthday (April 22, 2014), progress on the pilot-project (>3M/containers/year) is progressing on schedule. Site selection and design of modular units are nearly completed while the software and consumer interface components are in the pre-testing stage.

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### ▶ THE FUTURE: redefine the traditional beverage container redemption centre in New Brunswick and transform its core business model to a multi-material approach.

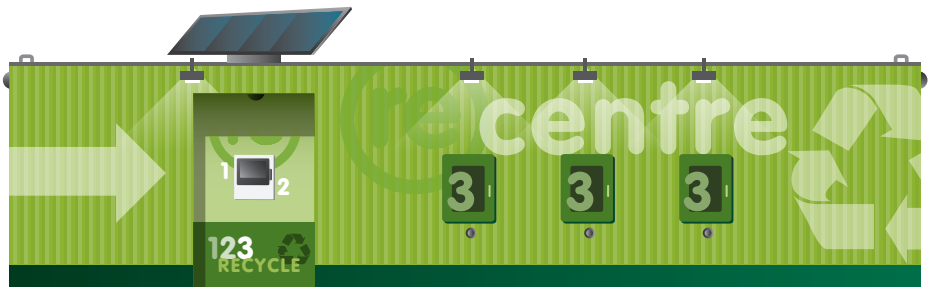
The challenge offered by this review is how to provide a sustainable model with a holistic view of stakeholder needs without any cross-subsidization while embracing available technologies to the benefit of consumers and redemption centre owners alike.

### ▶ RECOMMENDATIONS

- Conduct series of pilot projects using available technologies (>1m, >3m, >6m containers/yr).
- Create better cooperation with all distributor agents.
- Harmonize and consolidate collection and processing services.
- Standardize business hours for redemption centres.
- Provide all consumers with a transaction receipt.
- Reduce sorts, removal of caps, and duplication.

The New Brunswick BCP is at a turningpoint with a need for innovation in efficiency of collection, processing, public safety and convenience in order to meet the needs of the ever-so-busy consumer and ever-increasing program costs.

Encorp has been able to deliver consistent financial returns to New Brunswick's Environmental Trust Fund, divert valuable materials from the waste stream while being the lowest-cost-per-unit-managed beverage container program (*Canadian Recycling Affiliates*) in Canada. Nevertheless, modernizing the program remains a priority of Encorp Atlantic, its shareholders and distributors.



### ▶ MARKETS

Overall material markets over the past quarter remain sluggish with commodity prices for PET and aluminum lower than forecast. Nevertheless, markets are still over the recession levels and slightly better.

### ▶ MATERIAL PRICING

Market material pricing versus this time last year: Aluminum **13%** below; PET **15%** below. Overall, sales of non-alcoholic beverages were **1.3%** over the past year (October 1 - September 30, 2013), while containers redeemed were lower by **0.7%** for the same period.

### OVERVIEW OF MARKET PRICES US \$/LB FOR BALED MATERIAL:

	Aluminum	PET	Exchange
Sept 30, 2011	\$ 0.79	\$ 0.33	\$ 1.007
Sept 30, 2012	\$ 0.74	\$ 0.19	\$ 0.95
As of September 30, 2013	\$ 0.64	\$ 0.17	\$ 1.01

### MARKET SNAP-SHOT / 3 YEAR PERIOD IN US\$/LB

	Aluminum	PET
High ▲	\$ 0.88 March 2011	\$ 0.37 March 2011
Low ▼	\$ 0.63 July 2013	\$ 0.17 July 2013

\* These figures are based on monthly averages

### YEAR TO YEAR-REFUNDED UNITS:

	Aluminum	Glass	PET	Other	Total
Oct 1 – Sept. 30 2012	66,040,643	2,281,195	74,990,566	15,937,368	159,249,772
Oct 1 – Sept. 30 2013	65,009,098	2,058,231	75,023,237	15,127,570	157,218,136
Yr. to Yr. Qty	-1,031,545	222,964	32,671	-809,768	-2,031,636
Yr. to Yr. %	-1.56%	-9.77%	0.04%	-5.08%	-1.28%