

WINTER 2010

► NOTICES:

Just a reminder not to compact any Aluminum containers prior to shipment. Current Bulk Bags should hold approximately 1,600 units weighing no more than 50 lbs - 22 kg.

With the various sizes of Bulk Bags being used presently, Redemption Centres must not estimate the number of containers per bag. This is amongst the factors affecting % of error.

Recently a full Bulk Bag of near empty farm chemical products was pick-up. For the health and safety of all, please make sure that this never happens again.



Recent reports of a 250 ml promotional product (Coca-Cola Olympic Torch Relay) was reported by a few Centres. After a review of the container, it was decided that this could go in the sort # 1 (Aluminum).



► NEW COUNT ADJUSTMENT METHOD

The Board of Directors of Encorp Atlantic announced recently upcoming changes to how it reports to the 77 Redemption Centres (RC) in New Brunswick. The much-needed changes are related to its Quality Control & Reporting System. As of June 1 2010, Encorp Atlantic will use a Statistical Based Approach to reporting Count Accuracy.

Essentially, Encorp will be using a new accounting method to monitor the level of compliance of individual Redemption Centres in New Brunswick and report on a regular basis to these centres with the necessary adjustments applied over the subsequent reporting period. This new approach and reporting method will add more integrity to the New Brunswick Beverage Containers Program and is being made possible with the cooperation of the Eastern Recyclers Association and Environment New Brunswick.

The integrity of any Beverage Container Program is based on count accuracy from collection depots. Tolerance standards for similar programs across Canada are much lower and would see collection depots severely penalized or risk losing their licenses if over a 1-2% of count accuracy on a reoccurring basis. Current estimates for miscounts (in favor of RC) are in the 5-7% range at an estimated cost of \$500,000 to \$650,000 per year to the program and thus to the NB Environmental Trust Fund.

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► BULK BAGS

In a recent evaluation of the inventory of Bulk Bags, Encorp has identified over 9,000 bags in current circulation. Amongst the problems identified was the variety of sizes ranging from 1 m³ to .76 m³. Redemption Centres must be vigilant with this issue and never estimate the quantity of containers in these bags.

Encorp will be ordering 2,500 - 1 m³ semi-transparent bags to be available this spring. A second order of Bulk Bags should also appear by early summer. We hope to replace most of the older bags over the next year. Also, we have modified the flap design to include a second strap. This should address the recent problem of bags opening when filled. We appreciate all the comments and cooperation from Redemption Centres on this matter.

► FULL-LOAD AUDITS

In response to the ongoing review of the NB Beverage Container Program, Encorp Atlantic and Rayan were advised that full load audits would continue for an undetermined period. Results clearly indicate that "ghost containers" and miscounts are a common problem that needs to be resolved. Since June 2009, the average discrepancy is nearly \$ 1,000 per load (10% error) inspected by Encorp. Some Redemption Centers were over 20% off their reported counts.

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NEW COUNT ADJUSTMENT METHOD

Current Problem: 5% - 7% difference between reported units and actual QC counts coming from Redemption Centres.

Objective: Attain accurate count levels from Redemption Centres

Goal: ± 2% tolerated difference between reported and actual units

LOSS RECOVERY MODEL



A specific centre will have a QC sampling of 75 bags or more for a specific sort and a specific time period;

The bags will be selected randomly among bags delivered during the period and the actual number of containers in each bag and the corresponding RC claim will be noted;

The sampling approach will provide a sampling error of less ±1% of total number of container for the typical RC and of less than ±2% for the RCs with the most variable counting discrepancies, 19 times out of 20.

The Centre will receive a report stating the average absolute and relative difference between the QC count and the RC claim;

The average difference will be applied to all the bags of the specific sort delivered by the RC during the specific period to compute a payment adjustment;

The adjustments will be spread evenly over the following accounting period;

The adjustment will be waived when the average relative difference between the QC count and the RC claim is less than 2% either way.

ADJUSTMENT FORMULA

$$\left(\text{Result / Sort} \times \# \text{ bags delivered / sort} \right) \times \left(\text{CANADA} + \text{Handling fee} + \text{Administration Fee} \right) = \$ \text{ Add or deduct over following reporting period}$$

MATERIAL MARKETS:

YTD (6 month average) pricing per pound (US Dollar) versus plan: aluminum 9.2% over; PET 8.6% below while glass still being a cost for transportation and management.

It remains anyone's guess at how markets will react in early 2010 but recent trends shows some recovery in aluminum while PET has slightly improved since December's 2008 low of \$ 0.04 (per pound baled) but has not attained the high of \$ 0.19 of June 2008.

Recent data also indicate a decrease in the return rate of **73.07%** (over a 12 month period) compared to **74.57%** the previous year.

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

	Aluminum	PET	Exchange
June 2008	\$ 1.02	\$ 0.195	1.018
September	\$ 0.76	\$ 0.185	1.059
December	\$ 0.58	\$ 0.04	1.193
February 2009	\$ 0.45	\$ 0.07	1.24
June 30	\$ 0.49	\$ 0.11	1.25
September 30	\$ 0.60	\$ 0.105	1.06
As of December 31, 2009	\$ 0.72	\$ 0.12	1.02

YEAR TO YEAR-REFUNDED UNITS:

	Aluminum	Glass	PET	Other	Total
Jan. - Dec 2008	67,446,655	4,072,478	73,306,713	18,676,010	163,501,856
Jan. - Dec 2009	67,474,299	3,500,994	73,235,473	19,546,564	163,758,330
Qty (Yr to Yr)	28,644	(571,484)	(71,240)	870,544	256,474
% (Yr to Yr)	0.04%	(14.03)%	(0.10)%	4.66%	0.16%