



**AUOMA**

Business Plan 2011 - 2013

## Accountability Statement

The Alberta Used Oil Management Association (“AUOMA”) Budget and Business Plan for the period January 1, 2011 through December 31, 2013 was prepared in accordance with the requirements of the *Regulation*, as amended, which was enacted under the *Environmental Protection and Enhancement Act*. AUOMA’s business plan has been modeled after the Auditor General’s *Framework for Accountability*. All of AUOMA’s policy decisions as at December 1, 2010, and all of the AUOMA’s accountability obligations and relationships have been considered in preparing this Budget and Business Plan. As well, the Government of Alberta’s and Department of Environment’s Business Plans and priorities were taken into account in the development of AUOMA’s Business Plan.

AUOMA is committed to achieving the planned results laid out in this Budget and Business Plan.

Approved by the Board of Directors,  
Alberta Used Oil Management Association  
November 30<sup>th</sup>, 2010



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Per: Dave Dingle, Chair

## **VISION**

AUOMA is a renowned industry-driven organization facilitating the recycling of designated waste materials, and recognized leader in supporting industry best practices that achieve sound environmental outcomes for the benefit of all Albertans.

## **MISSION**

AUOMA manages effective and efficient used oil materials waste minimization and recycling programs in Alberta, in keeping with Alberta Environment's mission to ensure effective stewardship of environmental systems that enable a sustained high quality of life in Alberta.

AUOMA will also fulfill its mission and realize its vision through sound policies and good governance, supporting and supported by engaged stakeholders, effective communication, and full accountability.

## **ALIGNMENT WITH GOVERNMENT GOALS**

AUOMA's goals and strategies set out in this business plan contribute to the following Government of Alberta Goal<sup>1</sup>:

Goal #3- The high quality of Alberta's environment will be sustained.

Through its programs dedicated to waste diversion, and used oil material recycling and processing, AUOMA's programs and goals also contribute to the Goals of Alberta Environment (the "Ministry")<sup>2</sup>:

Core Business One: Leading and enabling the achievement of environmental outcomes.

Goal #2: Albertans, communities, governments and industry are good stewards of the environment to achieve identified environmental outcomes.

Core Business Two: Assuring a healthy environment

Goal #3: the ministry has effective policies, regulatory and non-regulatory tools to manage cumulative effects on the environment.

Goal #4: The ministry has effective risk management processes, preparation and responses to events and emerging issues.

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<sup>1</sup> *Government of Alberta Strategic Business Plan 2010-2013*

<sup>2</sup> *Alberta Environment Business Plan 2010-13*

## LEGISLATIVE MANDATE AND OVERVIEW

AUOMA is an Alberta not-for-profit association established as a management board under the *Environmental Enhancement and Protection Act* to deliver programs and initiatives that facilitate the recovery and recycling of used oil and used oil materials for the benefit of all Albertans. Under the *Lubricating Oil Material Recycling and Management Regulation* (the “Regulation”), AUOMA is charged with the responsibility to administer the fund consisting mainly of environmental handling charges which are remitted by suppliers of oil materials in and into Alberta. AUOMA is also bound by the requirements of the *Lubricating Oil Material Recycling and Management Regulation* (AR 227/2002) and the *Lubricating Oil Material Environmental Handling Charge Bylaw* (AR 228/2002).

By virtue of the Regulation, AUOMA is directly accountable to the Minister of Environment to carry out its regulatory mandate. AUOMA delivers programs and initiatives that align with the Government of Alberta’s efforts to maximize waste diversion and recycling alternatives. AUOMA’s program supports the Minister’s mandates for sustaining the high quality of Alberta’s environment. AUOMA is also accountable to its members and the Alberta public for the appropriate and transparent management of its funds and to ensure sound environmental outcomes. AUOMA’s members are oil and oil products manufacturers and suppliers who are committed to supporting used oil material management. Members pay the environmental handling charges as required under the Regulation, which supports used oil material recovery and recycling in the Province, as well as education and communications initiatives. As a result, AUOMA and its members play an important role in the continuing effort to improve and sustain the quality of Alberta’s environment.

AUOMA’s revenue consists primarily of environmental handling charges (“EHCs”) which are to be remitted by first sellers of oil, oil containers and filters in the Province of Alberta. The EHCs are set by the Regulation, and once remitted to AUOMA comprise the fund which is managed by AUOMA to support its program initiatives, such as program incentives for transportation and processing.

AUOMA plans to continue its facilitation for recovery and recycling of used oil materials, and it will also strive to influence best industrial recycling practices and sound environmental outcomes. This business plan sets out AUOMA’s strategies, performance measures and some outcome targets that support its goals toward these ends. The goals reflect AUOMA’s priorities and support each of its three **Core Businesses** of program and fund management, communications and governance.

## ENVIRONMENTAL SCAN

AUOMA is one organization in a system of Alberta businesses and services committed to minimizing waste used oil materials through effective recycling of these materials. In its thirteen year history, AUOMA has facilitated the recovery for recycling of approximately:

- used oil 965,000,000 litres 85% recovery of available used oil;
- used oil filters 81,630,000 filters 90% recovery;
- used oil containers 17,980,000 kgs 89% recovery.

AUOMA relies on a large network of used oil material generators/collection facilities, registered collectors and processors who undertake material recovery and primary recycling.

AUOMA's funding is intended to support activities and projects that promote responsible stewardship of used oil materials, and which also support the Ministry's goals of achieving sound environmental outcomes. AUOMA's revenue is restricted by the regulated level of EHCs applied to the sale of oil, containers and filters in Alberta. Therefore, AUOMA's revenue is dependent on economic factors which dictate the volume of oil and oil filter sales, and as well, is limited by the rate per unit as prescribed in regulation. AUOMA is committed to managing its financial resources to ensure sustainable program funding and facilitate environmentally sound recovery and recycling activities. This business plan contains a budget which reflects AUOMA's commitment to reduce spending, balanced with its environmental objectives and performance objectives, such as optimizing recovery rates for used oil material.

It appears that all aspects of program spending cannot continue if AUOMA wishes to ensure a balancing of expenditures against revenue over time. At the same time, AUOMA is challenged to meet greater environmental outcomes.

By conducting further research on its program, i.e., its Incentive Program, AUOMA anticipates it will be able to better determine how program incentives and other initiatives affect used oil materials recovery and recycling outcomes, and better plan to reduce spending in areas where AUOMA's efforts are least required and best otherwise applied. This should address AUOMA's short-term needs, to 2013.

For the long-term, AUOMA will commit to more study to affirm government-industry interest in AUOMA's mandate, and the expectations and obligations of each if AUOMA is to continue, and the legislative framework and fiscal resources AUOMA will require to fulfill its mandate in the future.

AUOMA has consistently maintained a low cost of administration, partly because of a joint administration agreement with the BC Used Oil Management Association. The challenge is keeping the cost low against the demand for program changes to optimize recovery and better recycling of used oil materials.

AUOMA continues to address cross-subsidization of materials recycling, i.e., the high return on used oil recycling versus the high cost of used oil container recycling. AUOMA prefers that each product pay for the recovery and recycling within its product stream, however, that is currently deemed difficult for containers. Controls can only be applied to product costs and for AUOMA to reduce used oil container recycling costs risks also reducing material recovery and recycling. AUOMA takes small comfort in cross-subsidization of used oil for used oil containers in that container sales are directly linked to oil sales. The solution to cross-subsidization is currently tied to AUOMA's overall strategy for financial stability. Oil filters are almost a break-even product stream and, therefore, not deemed an issue.

## **CORE BUSINESS ONE – PROGRAM AND FUND MANAGEMENT**

**GOAL ONE. Financial Sustainability** – Financial sustainability of Alberta's used oil material recycling program.

### **Performance Measures**

1. Positive budget results in 2011 and beyond.
2. Optimum administration costs as a percentage of overall expenditures.

### **Targets**

1. Budget targets are shown on pages 12 to 14.
2. Administration proportionate costs:

Year	Actual / Target Percentage
2009	4.0% actual
2010	4.3% projected
2011	4.4% projected
2012	4.5% projected
2013	4.7% projected

**Strategy One** - Further research be conducted to confirm AUOMA's program goals toward used oil materials recycling and the optimal revenue and expenditure required for AUOMA to meet its goals in the short and long-term.

### **Outcomes**

Research undertaken that reviews and assesses,

First, in the short-term:

1. A full cost accounting of the Incentive Program; i.e., cost-benefit and options for all program expenditures.
2. Value and opportunity for changes to the Program for improved sustainability.
3. Better accountability for outcome of used oil materials.

Second, in the long-term, review and assess:

1. AUOMA's mandate, goals and achievements to date.
2. A system for used oil management in Alberta, including identification and roles for AUOMA and other stakeholders.
3. Cost-benefit of life-cycle analysis and other measures on Alberta's used oil management system and AUOMA's program.
4. Any AUOMA program changes and resources needed to fulfill its role in Alberta used oil management system.
5. The legislative framework/regulatory change needed for AUOMA to fulfill its role and carry out its program.

Consultation with AUOMA Directors and key stakeholders in government and industry will be part of the research, leading to a composite and comprehensive set of recommendations for AUOMA's next and future business plans.

**Strategy Two** - Effectively manage program and administration expenses to maximize AUOMA's revenue stream for the purpose of designated material recovery and recycling.

### **Outcome**

- AUOMA will undertake measures to achieve financial sustainability by 2013.

**GOAL TWO. High Quality Environmental Outcomes** – Maximize the collection and recovery of, and innovative recycling and processing solutions for, Alberta's used oil material.

### **Performance Measures**

1. Optimum recovery of used oil materials.
2. Number of compliant registered collectors and processors measured against a reliable grading system for compliancy (subject to development and review in 2011).

## Targets

1. Optimum percentage recovery of materials:

	2009 Actual	2010 Projected	2011 Planned	2012 Planned	2013 Planned
Used Oil	83.0%	82.1%	82.8%	83.6%	84.4%
Used Oil Filter	91.0%	90.3%	89.1%	90.0%	90.9%
Used Oil Container	85.0%	88.1%	88.8%	91.5%	94.3%

2. New baseline data for a grading system on program compliance.

**Strategy One** – AUOMA program funding incents environmentally sound collecting and processing activities, leading to maximum recovery and waste diversion, and optimized environmental end-uses.

### Outcomes

1. Results from AUOMA program research on recovery rates and processing activity under different incentive scenarios.
2. AUOMA RI Compliance Review on registered collectors and processors and addressing any evidence of non-compliance with AUOMA policies and programs.
3. Grading system for program compliance (subject to development and review in 2011).

**Strategy Two** – AUOMA will review urban and rural collection network for used oil materials throughout Alberta, and AUOMA’s policy relating to this network.

### Outcomes

1. An updated, reliable reference on return collection facilities (RCF), including status of facilities formerly supported by AUOMA.
2. Updated AUOMA policy on RCF.
3. Continued monitoring of and improvement of data on rural recovery of used oil materials.

**Strategy Three** – AUOMA work with the Ministry to formalize practices on used oil management, and assist in developing a new industry-acceptable code of practice.

### Outcome

- Updated used oil management code of practice.

## **CORE BUSINESS TWO – COMMUNICATIONS**

**GOAL THREE - Effective Communication.** Acceptance and understanding regarding the values of and roles in used oil materials recycling industry.

### **Performance Measure**

Positive responses from stakeholder surveys (surveys subject to development and review in 2011).

### **Targets**

- Survey strategy, survey instruments and baseline targets to be developed.

**Strategy One** - AUOMA provide full, meaningful and timely reporting to the Ministry with respect to all programs.

### **Outcomes**

1. Reports submitted as required.
2. Meet regularly with Minister/Parliamentary Assistant and Ministry staff.

**Strategy Two** – AUOMA enhance its communications with MLAs and other government stakeholders.

### **Outcomes**

1. New media to inform government.
2. AUOMA act upon opportunities to provide relevant, timely information to MLAs which help support Alberta communities.
3. Initial survey of government awareness and opinion (survey subject to development and review in 2011).

**Strategy Three** – AUOMA increase stakeholder awareness and commitment to used oil management and AUOMA initiatives.

### **Outcomes**

1. New media to inform stakeholders.
2. AUOMA enhance the utility and effectiveness of its website.

3. AUOMA report to stakeholders on its business and achievements, e.g., used oil materials recovery impacts on greenhouse gas (GHG) emissions as a base line reporting measure.
4. Stakeholder survey strategy to gauge awareness and interest in AUOMA policies/programs.

## **CORE BUSINESS THREE – GOVERNANCE**

**GOAL FOUR - Accountability and Transparency.** Ensure full accountability to all Albertans.

### **Performance Measure**

- Board of Directors meets governance requirements set out in their Director's Manual.

### **Targets**

1. Board's Governance, Compensation and Fund Management Committee reviews governance measures at least twice annually.
2. Committee reviews governance needs and sets finite governance targets in 2011.

**Strategy One** - AUOMA maintain, and be governed by, its policies and procedures set out in its Governance Manual.

### **Outcomes**

- AUOMA, through its Board of Directors, will:
  - review its Governance Manual to ensure governance and operations standards remain high and Board and staff are fulfilling their obligations.
  - develop and implement an organizational disaster plan to protect the security of AUOMA records and resources.

**Strategy Two** - AUOMA will work in coordination with the Ministry to develop clear expectations for the used oil recovery and recycling program and program reporting.

### **Outcome**

- Renewed or new MOU between Minister and AUOMA.

## BUDGET

AUOMA's fiscal year-end is December 31<sup>st</sup>.

	<b>2010 projection</b>	<b>2011 budget</b>	<b>2012 budget</b>	<b>2013 budget</b>
	(In 000's)	(In 000's)	(In 000's)	(In 000's)
<b>Revenue:</b>				
<b>Environmental Handling Charge</b>	14,761	14,760	14,740	14,719
<b>Interest and investment income</b>	390	140	174	214
<b>Registration fees</b>	1	1	1	1
<b>Total Revenue*</b>	15,152	14,901	14,915	14,934
<b>Expenditures:</b>				
<b>Program Management Costs:</b>				
<b>Return Incentives</b>	14,596	13,647	13,186	13,408
<b>Incentives for return collection facilities</b>	-	-	-	-
<b>Communications and public relations</b>	209	127	300	300
<b>Compliance Reviews</b>	44	62	67	45
<b>Management/Administration Contracts</b>	53	57	58	60
<b>Legal</b>	10	10	11	11
<b>Consulting</b>	69	300	152	100
<b>Allowance for bad debt</b>	5	5	5	5
<b>Total Program Management Costs*</b>	14,986	14,208	13,779	13,929

**BUDGET (continued)****Expenditures (continued):**

	<b>2010 projection</b>	<b>2011 budget</b>	<b>2012 budget</b>	<b>2013 budget</b>
	(In 000's)	(In 000's)	(In 000's)	(In 000's)
<b>Administrative Costs:</b>				
<b>Management/Administration Contracts</b>	349	371	383	397
<b>Legal</b>	41	42	44	45
<b>Audit</b>	44	45	46	48
<b>Office and general expenses</b>	88	90	93	95
<b>Rent</b>	50	50	50	51
<b>Board expenses</b>	43	44	45	46
<b>Amortization</b>	10	4	2	2
<b>Total Administrative Costs*</b>	625	646	663	684
<b>Total Expenditures*</b>	15,611	14,854	14,442	14,613
<b>Excess Revenue Over Expenditures(Deficit)*</b>	(459)	47	473	321

\* Figures rounded off to nearest zero

**Notes:**

There are 3 new actions affecting program expenditures:

- reduction of incentive rates paid to collectors for used oil with an effective date of July 1st, 2011.
- elimination of drum weight for used oil filter with an effective date of January 1st, 2011.
- introduction of hierarchy of incentive rates paid to used oil container processors with an effective date of July 1<sup>st</sup>, 2011.