

THE GLOBE AND MAIL

Eco-fee monopolies must end

Globe and Mail Wednesday July 21st 2010 Page A15

Making recycling competitive...means manufacturers' motivation to reduce costs and maximize profits in selling their products drives them to make those products greener and less costly to recycle.

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When the Ontario government backtracked this week on eco-fees, the sorry event was just the latest incident in a long saga of failures associated with an approach to paying for recycling in many Canadian jurisdictions.

Incredibly, the McGuinty government transferred financial responsibility for the program from product producers and consumers to the general taxpayer - an about face on a policy that makes those who produce waste responsible for dealing with that waste.

So where does the eco-fee problem come from in the first place?

Take the case of electronics products. When you buy a television in many Canadian jurisdictions, you pay an additional eco-fee - \$26.25 in Ontario on a large television, irrespective of brand, where in the province you bought it, or who you bought it from.

That \$26.25 is an amount agreed to by a combine made up of electronics product producers and retailers. The combine - Ontario Electronic Stewardship (OES) - includes the likes of Sony, Hewlett Packard, Canon, Dell and big box retailers such as Home Hardware, Best Buy Canada, Hudson's Bay and Sears. That this group gets together and sets TV and computer eco-fees is quietly ignored by many Canadian jurisdictions but is actually mandated in Ontario by the Waste Diversion Act.

Every manufacturer or importer pays OES the same "eco-fee", irrespective of how green or how dirty their products are or how much or how little of their product is recyclable. Since every producer bears the same "fixed" eco-fee, it is natural for them to pass the fee on to consumers by adding them on to wholesale prices. Retailers in turn pass them on to consumers at the till with sales taxes levied on those eco-fees.

Even if one manufacturer finds a way to recover and recycle its products more cost effectively than its competitors there is no incentive to do so when the producer must pay the standard eco-fee anyway.

In general, Canadian law restricts producer monopolies, price-fixing and market domination because they interfere with the competition and innovation that bring us better products and lower prices. Canadians should tolerate (much less require) monopoly only in special circumstances where it will demonstrably yield better results. We do not think that this applies to recycling programs for consumer products and we are especially critical of virtually unregulated monopolies.

Consider that after a year of operation OES has only reached 40% of the annual electronics recycling target it set out for itself. How many million has OES accrued in eco-fees not expended on recycling? OES isn't required to tell so no one knows.

Although Ontario Environment Minister John Gerretsen has told OES that he is, "...disappointed with the collection and diversion results achieved in the first year of the program", he has no recourse under the Waste Diversion Act to compel OES to improve recycling rates.

The solution to this lack of product-producer environmental and economic accountability has already been identified by the Ontario Government. It has proposed to make individual product producers accountable for the end-of-life recovery and recycling of their wastes and to set reasonable recycling targets and environmental standards for those producers.

By making individual producers – and not collectives of producers – responsible for environmental outcomes, those producers become subject to the Canadian Competition Act. The setting of common eco-fees then becomes subject to the same discipline that prevents producers from getting together and setting prices when they sell their products.

From an environmental perspective, making recycling competitive rather than monopolistic means the manufacturer's motivation to reduce costs and maximize profits in selling their products drives them to make those same products greener and less costly to recycle.

Amendments to the Waste Diversion Act that would create a competitive dynamic between producers and address the eco-fee issue are long overdue.

The Canadian "eco-fee" experiment with monopoly must end. It's time to foster an economy that is competitive, innovative, efficient and green and that ensures Canadians get the environmental bang-for-the buck that only competitive markets can deliver.

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