



## 2015 PRE-BUDGET CONSULTATION SUBMISSION

Prepared for: House of Commons Standing Committee on Finance

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# Overview

The Canadian Association of Recycling Industries (CARI) is pleased to present its submission to the House of Commons Standing Committee on Finance. It respectfully requests the committee's consideration of CARI's recommendations in the development of the 2015 federal budget. Of the six priorities identified as themes for t consultations, CARI identifies three in particular.

Our recommendations for the 2015 federal budget deal specifically with:

1. **Increasing the competitiveness of Canadian businesses through research, development, innovation and commercialization:** Re-establishing research on secondary resources and adapt government procurement to require recycled material
2. **Improving Canada's taxation and regulatory regimes:** Revise regulations that place secondary resources in the same category as waste, equal the fiscal playing field between primary and secondary resources, and continue on the path to reduce red tape
3. **Maximizing the number and types of jobs for Canadians:** Educate and encourage more to recycle

## Who is the Canadian Association of Recycling Industries (CARI)

Recycling is a secondary resource industry. It includes all companies in Canada that collect, sort, process, and consume previously used commodities such as metal, electronics, plastics, paper, rubber, textiles, and glass. Our industry turns products that would otherwise end up in landfills into valued resources and products.

The Canadian Association of Recycling Industries (CARI) is an industry association made up of over 310 companies in the recycling sector that process, broker, and consume recyclable commodities. Members are engaged in the recycling of all commodities, but the majority deal primarily or

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exclusively in metals. Our mission is to promote the optimal net economic and social impact from commercial recycling activities.

## Recommendations

### RESEARCH, DEVELOPMENT, INNOVATION AND COMMERCIALIZATION

#### **Re-establish research and study on secondary resources**

While the recycling industry has on its own facilitated impressive technological developments for processing and separating recyclable materials, there remains a great deal more that could be done to recover materials that would otherwise be discarded. Research into the recycling of plastics and electronics is one such example where more research could promote innovation. In a large scale operation, if a material cannot be identified and sorted, it will go to landfill. It would be beneficial and certainly increase the rate of innovation in the recycling industries if government technology programs specifically identified recycling development work as a desired area of focus. More specifically, if more products were designed with their end of life in mind a larger recycling rate would result with fewer items diverted to landfills. The challenge is twofold: educating manufacturers on product design for their end-of-life and the development of technologies to further enhance recycling of currently unrecyclable materials.

The state of data and research in recycling is lacking in Canada. There are no ongoing government studies to follow the state of recycling in Canada. In fact, Statistics Canada regards recycling as an activity in the economy, not as an industry. Natural Resources Canada used to have a branch within the department to study and follow the secondary resources industry, that promoted innovation, followed its progress in Canada, and provided a baseline of information. Without this knowledge base

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## CANADIAN ASSOCIATION OF RECYCLING INDUSTRIES

dedicated to the secondary resources industry, Canada misses a great opportunity to promote innovation and improve recycling rates.

Recommendations:

- Natural Resources Canada needs a section within its department to review and study the secondary resources industry
- Statistics Canada needs to consider recycling as an industry in its own right and not just an activity in the economy. It needs to follow the industry and work with CARI to track developments in the industry for the betterment of the economy and the environment based upon facts and figures.

### **Adapt government procurement to require recycled material**

Materials are often not sent to landfills because they can't be recycled. They are sent to landfills when there is no viable market for the material. Once we shift the emphasis from supplying recyclables to creating markets, we can demonstrate the true economic and environmental benefits of recycling.

The federal government can show leadership by developing and implementing procurement policies that encourage the design and manufacturing of products with recycled content that can be safely and efficiently recycled at the end of their useful lives. In Canada, the federal government purchases tens of billions of dollars' worth of goods each year. With a similar effort coordinated with provincial governments, the combined effort would yield a very large procurement stick.

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Increasing the demand for recycled products through government and private procurement will encourage more research and innovation by manufacturers to design products for recycling along with the usage of recycled material will thereby shrink the loop.

Recommendation:

- The federal government should adapt and encourage the provincial governments to adopt green procurement policies that require recycled content in the products they purchase.

## IMPROVING CANADA' S TAXATION AND REGULATORY REGIMES

### **Revise regulations that place secondary resources in the same category as waste**

Many regulations intended for waste, unintentionally loop in secondary resource commodities. Internationally through the Basel Convention, recyclable materials are legally defined as wastes. If they exhibit any hazardous characteristic, they are regulated equivalently to hazardous wastes destined for final disposal. Canada is a signatory to this convention.

However, CARI maintains that regulatory frameworks for waste are ill-suited to recyclables. Recycling is an important source and provider of raw materials for manufacturing. In terms of markets, technology, and potential environmental benefits, the dynamics of recycling have little to nothing in common with waste destined for final disposal operations.

The regulatory constraints for waste, in particular hazardous waste, place an unnecessary burden on the majority of valuable recyclable resources destined for recovery, with questionable environmental benefit. In Canada, for example, shredded electronic boards are legally defined as "hazardous" wastes and because they are in a dispersible form, are required to be leach tested. Circuit boards are

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shredded for ease of transportation, to allow for sampling of precious metals, and in some cases to prevent intellectual property theft. If a waste leaches elements in excess of regulatory limits, it is legally considered and regulated as a hazardous waste. For a smelter operator, the costs of handling circuit boards will therefore be much higher. It should be pointed out that circuit boards that have been disassembled from computers are never sent for disposal. The inherent value of the materials they contain, combined with the intensive labour required to recover valuable components means that recyclers already apply the best and most stringent environmental and labour practices. Nonetheless, the fact that these circuit boards will never be destined for a landfill is not taken into account under existing regulations. Regrettably, electronic circuit boards are but one example.

In broader terms, there have been initiatives to classify recycled and recyclable commodities as “waste” and therefore be subject to the same regulation as garbage-haulers who are heavily regulated to a select number of companies who qualify.

The present interpretation of regulations can therefore undermine the economics of recycling. In this case, the smelter operator is forced to reduce the price to be paid to the seller of a recyclable material, hence decreasing the incentive to recycle.

Recommendation:

- The federal government should order a review of the definition of hazardous wastes and set out separate regulations for the treatment of recyclable commodities.
- Environment Canada should work with the provincial governments to implement a set of regulations for the transportation and classification of scrap materials so that the recycling industry can compete on a level playing field with the primary resources sector.

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### **Equal the fiscal playing field between primary and secondary resources**

If it is the objective of governments to encourage sustainable development and promote a level marketplace, a place to start is in the aggregate tax treatment of recycled products. In 1995, a study released by the Canadian Council of Ministers of the Environment (CCME) found that Canadians pay more taxes on products derived from recycled materials than those made from primary resources.

On the whole, the study found that the effective tax rate on the cost of recycled material production is about 3% higher than for virgin material. It estimated that if this differential were removed and secondary resources were placed on an equal playing field with primary resources, the recycling industry's costs of production would be reduced by \$400 million.

If one good is taxed and the other is not, then all things being equal, companies will produce more from the untaxed good. To the extent that the tax rate on the cost of providing products differs between recycled and non-recycled products, the tax system affects the ability of the recycling industry to compete with the primary resource industry. While it is recognized that this study is dated, it nonetheless presents the need for serious consideration. To our knowledge, no further study of this issue has been undertaken.

#### Recommendation:

- The federal government should review the aggregate tax treatment of secondary resources with the objective of ensuring that recycled products are not confronted by a greater tax burden than products derived from primary resources.

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### **Continue on the path to reduce red tape**

Recycling is like any other business in Canada. Dealing with government can be a costly affair. Confusing language in government regulations, dealing with poorly-informed staff, and waiting too long for decisions are among many of the challenges faced by those in the industry. Mixing recyclable materials in with hazardous wastes as mentioned previously is one example. CARI supports the basic concepts behind the federal government's, Bill C-21, the Red Tape Reductions Act.

Recommendation:

- The federal government should continue its efforts to reduce red tape and obstacles to the growth of the recycling industry in Canada.

## **MAXIMIZING THE NUMBER AND TYPES OF JOBS FOR CANADIANS**

Recycling creates jobs and benefits the local, national and global economies. The Bureau of International Recycling (BIR) estimates that 1.6 million people work directly in the global recycling industry, handling more than 600 million tonnes of recyclables each year and generating billions of dollars of economic activity worldwide. In 2008, CARI conducted an informal survey of the Canadian recycling industry that concluded it directly employs approximately 34,000 Canadian workers, and indirectly creates jobs for approximately 85,000 Canadians. In 2010, Canadian recyclers exported approximately 5.9 million tonnes of metal alone, valued at \$3.6 billion (CAD).

Needless to say, we believe that the recycling industry is an important contributor to the economy creating valuable jobs for Canadians. Recognizing this, CARI proposes the following:

### **Educate and encourage more to recycle**



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A 2014 study conducted by the Conference Board of Canada concluded that increasing recycling and waste diversion to 60% could boost Ontario's economy by \$1.5 billion and create 13,000 jobs. While 47% of residential waste was diverted, the report found that only 11% of non-residential waste, produced by the industrial, commercial, and institutional sector, avoided disposal. Non-residential waste accounted for nearly two-thirds of the total amount sent for disposal. In California, a study released by the Natural Resources Defence Council in March 2014 also concluded that increasing recycling rates would have a positive impact on job creation. Currently, 50% of California's waste is reduced, recycled, or composted. If California reached its goal of a 75% recycling rate by 2020, it is estimated the state could create an additional 110,000 jobs.

We are confident that if efforts were coordinated across Canada to improve and increase recycling rates, combined with efforts to improve demand for recycled products, the net economic benefit for Canada would be significant. However, the challenge is in consumer awareness and thus, creating demand. Fortunately, demand can be created. It can be greatly increased through federal government procurement policies as mentioned previously, education, information, and recognition for innovative products from recycled materials. If the federal government can support health and fitness through campaigns such as *PARTICIPACTION*, surely awareness of the importance of purchasing recycled material should be considered.

#### Recommendations:

- Equally important to adopting green procurement policies, the federal government needs to take the lead and publicize the importance of purchasing recycled products. Awareness needs to be driven on the quality of products that can be derived from recyclable materials.