

What we heard

Amendments to the
Designated Materials Regulation



Background

The Designated Materials Regulation (DMR) was enacted in 2003 and sets a fee on the sale of certain “designated” products to cover the costs of recycling those products. Since 2003, the only ‘designated material’ has been tires, for which there has been a \$5 surcharge on tires with a rim size of up to 24.5”.

The collected surcharges are kept in a dedicated fund and used for the collection, transportation, and processing of these products; the surcharges do not go to general revenues. The Department of Environment is responsible for the regulation, while the Department of Community Services delivers the recycling program. The surcharges collected on tires have not been sufficient to cover the costs of their end-of-life management. Therefore, general revenues have been used to supplement these recycling costs and end-of-life tires are often stockpiled at municipal landfills until funds allow for periodic removal.

Most jurisdictions across Canada use a point-of-purchase recycling model where consumers pay a surcharge on certain products to make sure recycling and re-processing of materials can be afforded when these products reach their end-of-life. The proposed changes to the DMR are part of this broader national context in modernizing waste management systems; these changes are part of a nation-wide initiative called the Canada-wide Action Plan for Extended Producer Responsibility, to which the Government of Yukon committed in 2009. This Action Plan has a list of products that provincial and territorial jurisdictions phase in to recycling programs that are either government-led stewardship or industry-led extended producer responsibility programs. As part of the Action Plan, and for responsible financial and environmental waste management, the Government of Yukon will be phasing in additional products to the *Designated Materials Regulation*.

Amendments to the *Designated Materials Regulation* were originally proposed in 2013. Small groups of stakeholders reviewed the proposed amendments prior to a two-month public engagement that occurred in the fall of 2014. Following this engagement, some changes were made to the proposed categories and surcharges prior to amendments being passed by the Government of Yukon cabinet in May 2016. The amended regulations were originally intended to be implemented in August 2016, but the implementation was delayed over concerns regarding the timing as well as the categories and surcharges. In November 2017, a decision was made to commence a new engagement process on the amendments to the regulation.

Engagement Process



The meeting at the Westmark was very constructive and kickstarted a long-overdue discussion about a system that is lagging behind most parts of the country. Higher regulations can benefit the consumer and environment while simultaneously keeping the private sectors intact.



Purpose

The purpose of this engagement was to hear about the concerns and ideas that stakeholders and the public have respecting two distinct designated material categories: tires, and electrical and electronic products. In particular, the engagement on these designated materials was about the product categories for these end-of-life materials, associated recycling surcharges attached to the specific categories, and on the timing of implementation for regulatory amendments. The engagement with industry and stakeholders was a result of hearing concerns in the fall of 2017 from industry regarding the proposed regulatory amendments.

Engagement methods and participation

The public engagement period began December 1, 2017 and ended February 1, 2018. The engagement was advertised through newspapers, radio, and online advertisement and social media. One hundred and six (106) direct letters were sent to known stakeholders (retailers and distributors of tires, electronics and electrical products; municipalities; recycling depots and processors) advising of the engagement period and inviting comment.

A number of engagement opportunities were available to stakeholders and the public to participate:

Face-to-face workshops

The Government of Yukon hosted two evening workshops: one on January 9, 2018 regarding tires, and one on January 10, 2018 regarding electronic and electrical products. A third-party contractor was hired to facilitate these workshops, and both the Ministers of Environment and Community Services were in attendance to hear the concerns, ideas and suggestions of participants first-hand. There were approximately 100 attendees for the workshops combined.

Online Survey

A survey was available online at engageyukon.ca from December 8, 2017 to February 1, 2018. Background information attached to the survey described the purpose of the engagement and provided an overview of the proposed changes. There were a total of 323 responses to the survey.

Webinar

A webinar was hosted in partnership with Electronic Products Recycling Association to provide information on the registration, reporting and remittance process. There were 31 participants on this webinar.

Teleconference Call with Municipal Representatives

A teleconference call was set up specifically for representatives of Yukon municipalities; the Association of Yukon Communities assisted with setting this up. There were nine participants from six Yukon communities.

Social Media

The Government of Yukon promoted the engagement period and online survey via its corporate Facebook account. For the duration of the engagement, this Facebook post was 'boosted' to reach as many social media users as possible. The post resulted in over 100 comments.

Traditional Media

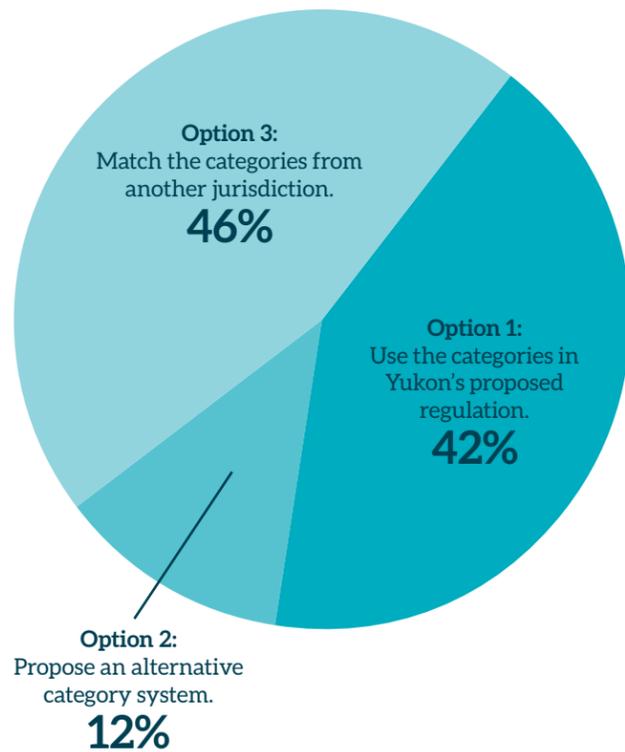
During the engagement period, there were three print media articles, two radio segments and two opinion articles published on the recycling engagement. There were four print articles on this topic published in November 2017 prior to the beginning of the engagement period.

Results

Categories

The engagement asked for feedback on the categories for tires and electronic and electrical products. Feedback was mixed, with no clear consensus from respondents across all methods of engagement on a preferred structure of categories for both designated materials.

Survey Responses by Proposed Tire Categories



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Use what other jurisdictions are doing – which is to classify tires by use, not size – and develop a system for the Yukon that classifies tires here by the most common uses. If we must choose another jurisdiction's approach then Alberta's categories appear to better fit the Yukon than BC's approach.

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Tires: Survey responses were fairly evenly split between preferring Yukon's proposed tire categories (42%) and preferring to match the categories from another jurisdiction (46%). Of those who preferred the categories from another jurisdiction, the majority said they preferred Alberta's approach (62%), followed by British Columbia (34%), or no preference between BC and Alberta (4%). A number of responses suggested that Yukon adopt fewer categories than neighbouring jurisdictions to create a simpler system. One respondent suggested that the Saskatchewan categories were preferable.

In feedback from meetings and letters, a majority of which came from retailers and producers of tires, participants mentioned they would prefer use of categories from another jurisdiction over the proposed Yukon categories, specifically Alberta's model. There were some comments stating the desire for categories to be clear and understandable, and to not promote cross-subsidization. Some comments stated that tire rim size is not a good indication of tire weight (because lower profile tires are becoming more popular). One comment suggested inclusion of bike tires.

A few comments spoke to the value of harmonization. Harmonization means having consistency across jurisdictions with respect to the details of recycling programs, with the idea that this will lead to cost and operational efficiencies. British Columbia, Alberta, and Northwest Territories were mentioned as jurisdictions in the context of harmonization. One comment also noted that harmonization should be on a national scale. Finally, a concern was expressed that there is a lack of data/information regarding how many tires are disposed of outside of Yukon, particularly for tires that can be re-treaded (which occurs outside of Yukon).

Electronic and electrical products: A small majority of respondents (56%) said they preferred to use the categories in Yukon's proposed regulation. Meanwhile, 30% of respondents said they preferred to match the categories from another jurisdiction. Of those, 80% said Alberta, 12% said British Columbia, 4% said Alberta or British Columbia, and 5% gave some other response.

Of those who preferred to propose alternative categories (14%), 42% said they would like to see the regulation simplified with fewer categories. One comment suggested that electrical products should not be included in the recycling program.

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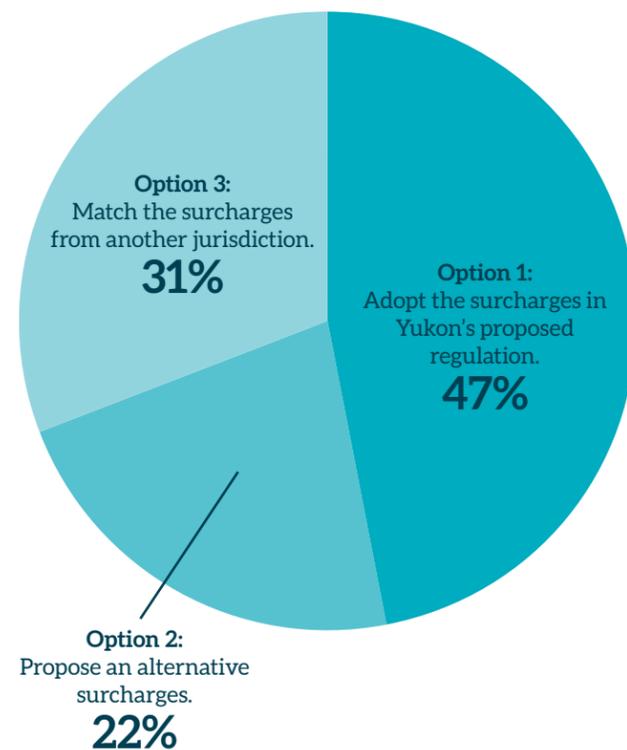
Something more elaborate than Alberta but more condensed than Yukon. First thing should aim at reducing our use of these things and education around this.

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Surcharges

Overall, survey respondents showed a marginal preference for the surcharge schedule proposed in Yukon's regulation. In letters and comments at meetings, retailers expressed concern that surcharges were too high. There was no clear consensus on a modified surcharge schedule, however retailers strongly voiced concern with any surcharges higher than neighbouring jurisdictions. They highlighted the problem that driving sales out of Yukon (with higher costs) will not mean less waste. Instead people will still be disposing end-of-life products in Yukon, but there will be less revenue to manage this waste.

Survey Responses by Proposed Tire Surcharge Categories



Tires: In meetings and letters, many participants stated concern over the proposed surcharges. In particular, respondents felt that the proposed \$50 surcharge for tires with rim size of 22" to 24" (mostly Medium Truck tires) was too high, especially compared to surcharges for similar tires in Alberta and British Columbia. They suggested Yukon adopt Alberta's surcharges at exactly the same rates. Transport companies expressed concern that this would increase the cost of shipping, and thus the costs of consumer goods, in Yukon. One comment suggested a flat rate be charged for all tires. Other letters raised concerns that the \$50 fee would be too small to cover the costs of recycling large Off-the-Road tires.

In survey results, respondents were more likely to prefer Yukon's proposed surcharges (47%) over those from another jurisdiction (31%) or an alternative approach (22%). Of those who preferred the surcharges from another jurisdiction, 62% preferred Alberta's approach, 35% preferred British Columbia's approach, and 3% said they had no preference between Alberta and British Columbia.

Electronic and electrical products:

In meetings, many retailers expressed concern that the Yukon surcharges were too high and would create unfairness for Yukon-based retailers. They cited concerns that Yukon-based retailers are already at a disadvantage compared to online retailers, and that the propose surcharges would make this disadvantage worse (this concern is discussed in more detail below). They also identified that surcharges in other jurisdictions are decreasing and Yukon should remain on par with those neighbouring surcharges — not with current, local tipping fees.

A small majority of survey respondents (55%) said they prefer to use the surcharges in Yukon's proposed regulation, as compared to 26% of respondents who indicated preference to match the surcharges of another jurisdiction. Of those who suggested matching another jurisdiction, 64% preferred Alberta's approach; 28% preferred British Columbia's approach; 6% had no preference between AB and BC; and 2% gave some other response. Finally, the remainder 19% of respondents chose to propose alternative approaches. These approaches include having no surcharges; minimizing surcharges to discourage out-of-territory shopping; surcharges reflecting the recycling cost; holding manufacturers/producers responsible; charging at the time of disposal; providing a refund at the time of recycling; or following fee schedules other than Alberta and British Columbia (e.g., Saskatchewan).

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No surcharges. Recycling in the Yukon is very expensive and the costs outweigh the benefits. Land is support abundant in the Yukon, and conventional landfill is far cheaper than recycling.

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Make the surcharges cover the cost of recycling.

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Timing of implementation

The survey asked what time of year was most appropriate for implementation of amendments to the regulations. Feedback on this topic was limited, and mostly contained within survey responses.

- ▶ **Tires:** Most respondents (62%) had no preference for the time of year when the changes to electronics categories and surcharges are implemented. Of those who expressed a preference, Spring (March to May) was the most preferred time of year.
- ▶ **Electronic and electrical products:** Most respondents to the survey (62%) had no preference for the time of year when changes to the DMR affecting electronic and electrical product recycling would take effect. Of the remaining respondents, springtime was selected as the preferred time for implementing changes (with 19% support).
- ▶ Municipalities and some retail and public participants were strongly in favour of implementing changes to the DMR as soon as possible. Additionally, they voiced frustration that the programs have been delayed for so long.

Retailers who attended meetings clearly stated that the holiday season should be avoided, particularly favouring the summer months — in the case of electronics. Retailers also noted the need for nine months' notice before the regulations take effect to give time to change point of sale (POS) systems and meet other operational needs to implement.

Fairness for Yukon retailers

Feedback, particularly from retailers/producers of designated materials, expressed concerns around how surcharges would adversely affect small businesses in Yukon.

- ▶ Many local retailers of tires, electronic and electrical products raised concerns that the proposed surcharges would place them at a competitive disadvantage against retailers in other jurisdictions. They stated that any difference in surcharges from neighbouring provinces would negatively impact Yukon retailers.
- ▶ Some retailers suggested applying a lower surcharge than neighbouring jurisdictions could encourage people to “buy local.”
- ▶ Some responses stated that no recycling surcharges should be charged for any of the proposed products.
- ▶ Many retail participants stated concerns about cross-subsidization of product categories and expressed desire that surcharges and categories be set so that cross-subsidized is minimized.
- ▶ Retailers, particularly of electronics, expressed concerns around online shopping, and how or if surcharges on products purchased from outside of Canada, from online retailers like alibaba.com, would be captured.
- ▶ Electronics retailers also expressed concern with the Regulations' inability to address refurbished (used) electronics being brought into Yukon.
- ▶ Electronics retailers also noted the flow of electronics coming into Yukon from the United States (Skagway).



Frankly, the outcome of this program will be that more Yukoners will spend money outside the territory and online, hurting the local economy, and doing little for sustainability.



Cost recovery for recycling

Although not a focus of the scope of the engagement, feedback from survey responses, workshops and on social media spoke to the concept of the recycling system, how it should be funded and to what extent it should be financially self-sustaining.

- ▶ Many comments in meetings discussed the concept of a user-pay system (where a surcharge is charged to a consumer for recycling of that product) versus a government subsidy (where taxpayer dollars are used to cover the costs of recycling). Some participants fully supported the user-pay model, some supported a full government subsidy, and a number supported a partial government subsidy.
- ▶ Some comments suggested a phased approach, where surcharges are initially set lower than costs and subsidized for a period of time. Then surcharges could be raised to cover true costs of recycling products.
- ▶ A few comments spoke to the methodology of setting fees. Some comments were inquiring as to how the fees were calculated in the proposed schedule, and other comments suggested that fees should be set in consideration of infrastructure requirements, transportation and processing requirements, consumer behavior, expected diversion rates, contingency planning (in terms of costs), and what is occurring in adjacent jurisdictions.

Efficiency in transporting and recycling tires

- ▶ A number of letters and comments received suggested investigating ways to reduce costs for transporting and recycling tires, including shredding tires and protecting tires from snow and gravel, which increases processing costs. At the meeting it was clarified that the Government of Yukon currently uses a competitive tender process to obtain lowest-cost bid to transport and recycle tires, and would pursue a similar process for electronic and electrical waste.
- ▶ During the teleconference with municipalities, a number of municipalities stated concerns about the backlog of tires in Yukon landfills. It was clarified that these tires are eligible for recycling but have not been recycled due to lack of funding.

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In my opinion the surcharges of these items should be the responsibility of the companies that make them. If companies would make products that last there would be far less in the landfills as well as far less littering from people trying to avoid disposal fees.

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Future products to add to Designated Materials Regulation

Survey respondents were asked to rank a list of six products for inclusion in future Yukon recycling programs. The results were fairly evenly spread across all product categories, with the highest priority product (mixed packaging) only 8% higher than the lowest priority product (batteries), of the options presented. When first place and second place rankings are considered, mixed packaging was more highly prioritized. The lowest ranked products were used oil and antifreeze, with a large number of last-place rankings.

In the teleconference call with representatives from municipalities, comments were made regarding the next steps in the development of the Designated Materials Regulation. Household hazardous waste (which includes used oil and antifreeze) was singled out as a priority for municipalities.

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This conversation has been going on for 3 or 4 years. Let's get moving.

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Other input/out of scope

- ▶ Some comments suggested that a sales tax approach could be considered instead of a surcharge attached to sale of individual products. The *Designated Materials Regulation* does not allow for establishment of a general sales tax and this approach would have to be considered through other mechanisms.
- ▶ Some comments stated concerns about compliance and enforceability of online sales and for local businesses. The compliance and enforcement mechanisms available to Department of Environment staff are established in the *Environment Act* and no changes are proposed to these mechanisms at this time.
- ▶ Some comments relayed concern about illegal dumping and the perception that illegal dumping would increase. Some comments stated that they preferred that a disposal fee, rather than point-of-sale surcharge, be charged for these products.
- ▶ Municipal representatives as well as some retailers and public, spoke to the importance of educating the public about waste management and the rationale behind changes. The public needs to be connected to the real costs of waste management and recycling; this will help with positive behavioural change.
- ▶ A few comments were received regarding business opportunities and leveraging the 'green economy' alongside changes to the regulation, and more generally, as a consideration in the future of waste management and recycling. To that end, it was noted by some municipal representatives that they were aware of contractors who had already invested in expanding their business.
- ▶ There was a concern regarding how often fees and categories will be revisited, especially as these are embedded within a regulation. Markets and products, particularly for electronic products, develop quickly, and the concern is that the time

it takes to amend a regulation is not adequate to reflect changing markets and products. To this end, there was a suggestion that fees/categories be kept out of a regulation to allow for flexibility.

- ▶ A few comments were made regarding the specific realities in Yukon communities, versus that in Whitehorse, i.e. currently no tipping fees are charged at the majority of community landfills outside Whitehorse. Concerns were raised on how this would be addressed.
- ▶ Concerns were raised about small electrical product retailers. Because of the challenges around reaching them all, the specific concern is that they will struggling to be compliant with new regulations and government will not know how to enforce this.
- ▶ These same critics pointed out that this engagement process missed these retailers because electronics and electrical products were being treated the same, when they are not, i.e. electronic waste carries a market value.

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I like that all fees will be at point of purchase, there will be no tipping fees and people should feel that taking it to the Recycling Centre is the better option.

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Yukon