

Global Automakers of Canada's comments on the proposal to change the Resource Productivity and Recovery Authority's mandate

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Global Automakers of Canada (GAC) is the national trade association representing the Canadian interests of 15 of the world's most respected automakers. Our members include: BMW Group Canada Inc, Honda Canada Inc., Hyundai Auto Canada Corp., Jaguar Land Rover Canada ULC, Kia Canada Inc., Maserati Canada Inc., Mazda Canada Inc., Mercedes-Benz Canada Inc., Mitsubishi Motor Sales of Canada Inc., Nissan Canada Inc., Porsche Cars Canada Ltd., Subaru Canada, Inc., Toyota Canada Inc., Volkswagen Group Canada Inc. and Volvo Car Canada Ltd. Together our members represent more than 25 brands in the Canadian automotive market.

Issue Background:

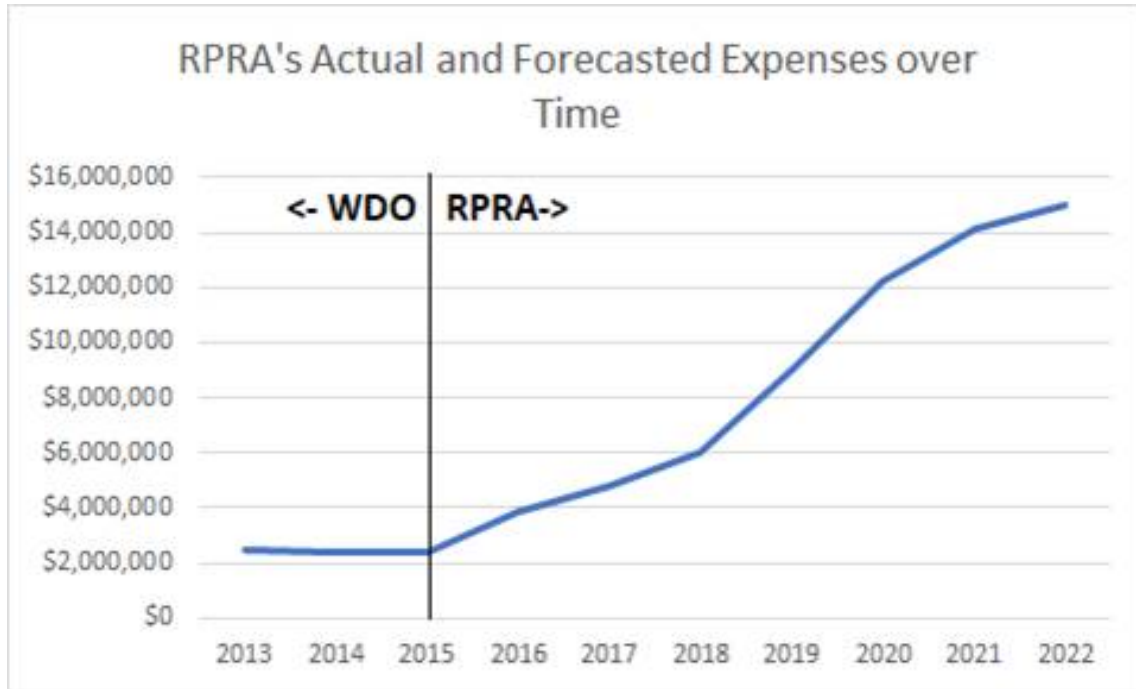
The GAC welcomes this opportunity to provide feedback on the proposed *Better for People, Smarter for Business Act, 2019 (BPSBA, 2019)*. We are supportive of efforts being undertaken to reduce regulatory burden and unnecessary red tape in Ontario. However, the changes proposed within this act for Ontario's Resource Productivity and Recovery Authority (RPRA) could have the unintended effect of increasingly regulatory burden for Ontario's automotive sector. To avoid these negative impacts, we have developed the following recommendations for your consideration.

Recommendations:

RPRA's mandate should not be expanded beyond the administration of programs under the Resource Recovery and Productivity and Circular Economy Act, 2016.

Currently, RPRA only collects information related to resource recovery and waste reduction programs. An open-ended expansion of RPRA's mandate cannot be supported by industry. Industry is still adjusting to the impacts of program transitions under the *RRCEA* and the *Waste Diversion Transition Act, 2016*. Only Ontario's tires program has transferred to the individual producer responsibility model and has begun to be administered by RPRA. Ontario's Blue Box and Municipal Hazardous and Special Waste Program (MHSW), including the batteries portion, are yet to transfer to the IPR model. Once these program transitions are complete the oversight of their replacement programs will be carried out by RPRA. Adding new responsibilities to RPRA's mandate, that fall under the Environmental Protection Act R.S.O 1990, before all existing programs under its current mandate are transitioned is premature. Further, the current proposals do not specify what responsibilities will be allocated to RPRA beyond oversight of waste and resource recovery programs. This open-ended mandate cannot be supported, especially given the concerns raised by industry previously regarding the potential for "scope-creep" within RPRA.

Cost control of RPRA is a concern for our members, who are those who fund the authority. Increases in RPRA budgets and expenses directly impact producers, such as our members, who pay RPRA fees. As the charts below illustrate, RPRA's expenses are already forecast to increase significantly as programs transition under the *WDTA*. Adding new responsibility outside of RPRA's legislated authority will only contribute to these expanding costs.



RPRA Expense Growth	2013 (WDO)	2014 (WDO)	2015 (WDO)	2016 (RPRA)	2017 (RPRA)	2018 (RPRA)	2019 (Forecasted Actuals)	2020 (Draft Budget)	2021 (Forecast)	2022 (Forecast)
Salary Expense	\$1.24M	\$1.30M	\$1.10M	\$1.48M	\$2.18M	\$2.78M	\$3.73M	\$5.14M	\$5.89M	\$6.82M
Total Expense	\$2.47M	\$2.42M	\$2.41M	\$3.84M	\$4.83M	\$5.98M	\$9.08M	\$12.20M	\$14.14M	\$15.04M

Source: Table data from Waste Diversion Ontario Annual reports, RPRA annual reports and business plans. Compiled by the Retail Council of Canada (RCC).

Until all program transitions under the *WDTA* and *RRCEA* are complete, RPRA's mandate should not be expanded beyond what is currently legislated under the *RRCEA*.

Reduce frequency of reports required to be submitted to RPRA under the RRCEA and O. Reg. 225/18: Tires.

As noted above, the transition of waste programs in Ontario to the IPR model is still ongoing. While the tires program has transitioned, some features of how RPRA will operate as an oversight body in the new regime are still being consulted upon. This includes the requirements for auditing of

producer supply data. The procedures currently proposed would be highly burdensome for industry and far exceed what is described in O.Reg. 225/18: TIRES under section 26 “Audit, management systems”.

While RPRA is within its authority to develop audit procedures, the problem lies with the Regulation itself. We recommend that MECP amend Sections 18(4) and 26(3) of O.Reg. 225/18 Tires that require annual independent third party supply audits. These audits should be restricted to once every three to four years. This measure would not mean that producers are trying to avoid compliance, as audits tend to cover multi-year periods, but would reduce the imposed regulatory burden as well as meet the objectives of the *BPSBA*.

We understand that this is not part of the Environmental Registry’s proposal but we believe it is an important recommendation that would directly impact the regulated community and unburden businesses that will have to meet the compliance and reporting requirements of many materials that are and will be regulated under the *RRCEA*.

If residual funds from waste program wind-ups are allocated to RPRA these funds must be used to offset RPRA operating costs.

As industry funding organizations (IFOs) for Ontario’s waste diversion programs wind-up their operations they must develop plans to deal with surplus funds. Currently both Ontario Tire Stewardship and Stewardship Ontario are consulting on how to administer surplus funds. If these surplus funds are not fully spent during the wind-up of these IFO’s operations, there will be residual funds left over. Under the *BPSBA, 2019* the Ministry is proposing that residual funds be transferred directly to RPRA. Our association tentatively supports this plan but recommends that any residual funds transferred to RPRA must be used to offset its operating costs and not be allowed to further inflate RPRA budgets. As noted above, industry has concerns over expanding RPRA costs. Transferring funds that were initially paid by stewards to RPRA must be accompanied by clear rules, transparency and assurances that these extra funds will actually offset RPRA’s fees that stewards are required to pay.

Final Comments:

Our industry is eager to engage with the government of Ontario on its environmental initiatives and we are active participants in programs that are helping to green our province. In all environmental initiatives we advocate for an outcomes-based approach. Ontario is in the midst of transitioning all of its waste diversion programs to a new individual producer responsibility model. RPRA will be the authority that oversees these programs during and after transition. We support the government’s objective of cutting red tape but expanding RPRA’s mandate now would be premature and could create further burden to producers in the province by enabling RPRA costs to further increase. These costs are borne by producers and eventually consumers.

We appreciate this opportunity and hope our comments will be given proper consideration. We look forward to continuing the dialogue with the Ministry.

About GAC:

In 2018, the member companies of the Association sold a record 1,173,891 vehicles representing 59% of the Canadian automotive market. This represents a growth in sales of 1.2% over 2017's record year for the member companies. In Ontario our members sold a record number of vehicles in 2018 – 494,282 representing a 4.5% increase over 2017 sales with our members also commanding 59% of the Ontario marketplace.

Further our members produced 44% of the vehicles built in Canada at Ontario plants in Alliston, Cambridge and Woodstock, and fully 58% of the vehicles sold by member companies in Canada were built in the NAFTA region, demonstrating a commitment to « building where they sell ». In 2018, Toyota assembled the most vehicles of any manufacturer in Canada and Honda was the third largest producer out of the five Canadian vehicle manufacturers.