

Tamilla Gaynutdinova

## **Political Acceptability of Product Stewardship: The Case of a Voluntary Agreement on Waste Diversion Organization, Ontario**

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### **Executive Summary**

The impetus to find sustainable waste management options and induce changes in product systems toward sustainability explains the wide adoption of the extended producer responsibility (EPR), or the product stewardship models by decision makers worldwide. Product stewardship extends the role of producers from cradle-to-grave of the product's life, and aims at a minimization of the environmental impacts upstream (impacts arising from the design choices and manufacturing process) and downstream impacts (from the use and disposal of products).

Product stewardship defines producers as “responsible entities”. Not surprisingly, this approach meets with strong opposition from producers, since they perceive additional responsibility as an additional cost burden. The question of social acceptance of EPR/product stewardship models deserves serious attention from environmental public policy research.

In order to contribute to the understanding of the influence of the political process and interests of the private sector on the use of extended producer responsibility, or product stewardship, in environmental policy, a case study of the Waste Diversion Organisation in Ontario, Canada, has been selected. This voluntary agreement has been created at the moment of apex in discussions on product stewardship in Ontario; the interests of those involved in the discussion; key actors and political interplays around product stewardship, are well exposed for analysis and can be traced for a historical perspective.

Analysis of the historical situation in Ontario shows that social acceptability of product stewardship models depends on the political climate/institutional framework characterizing the approach to policy making in a jurisdiction.

Public policy making in regard to municipal solid waste management, and in particular, of packaging stream of municipal solid waste (MSW) in Ontario has been influenced, to a large extent, by the commercial interests of the private sector. MSW became a focus of public policy making in the early 80s. From the outset, the private sector has been able to negotiate agreements with the Provincial government that led

to imposing responsibility for MSW on the municipalities.

This was possible through the introduction of a curbside-recycling program – the Blue Box – fully financed by public money. The idea of recycling has been accepted with a great enthusiasm by the general public and politicians.

The benefits and public acceptance of recycling at that point in time obscured the future financial implications of the program. The implications were inevitable, because the program contained no serious financial responsibilities for industry and therefore, no incentives for industry to participate in end-of-life management and make changes in their business behaviour.

This resulted in a series of financial crises for the Blue Box. In order to resolve the issue, Ontario industry proposed a voluntary Canadian Packaging Industry Product Stewardship Initiative. The main motivation for industry was to avoid stricter regulations (for instance, deposit-refund systems or take back requirements) that could lead to even higher costs for industry. The initiative, however, was based on principles of shared product responsibility and incentives upstream for producers.

These attempts of product stewardship introduction were abandoned because of the political situation in the province. The conservative government, with a pro-business agenda, has relieved industry from the threat of stricter regulation – the main impetus for industry to suggest a voluntary model of product stewardship. A temporary success of the Blue Box in the middle of the 90s was related to fluctuations on the world market for recyclables, which removed financial pressures from the municipalities and accordingly, political pressures for extending producer responsibility.

It did not prevent an inevitable financial crisis in recycling in the province, caused by inefficiencies of the Blue Box as a program totally based on public money and not reflecting true costs of waste management for the producers. The financial problems led to an outcry from the local governments and environmental groups in the province. However, the political agenda of the provincial government had not been changed and government remained a supporter of commercial, as opposed to public, interests.

Nevertheless, the political pressure for EPR/product stewardship exerted from the bottom-up (from municipalities to government and industry) forced both industry and government to find an alternative solution – a voluntary agreement between key stakeholders in waste management – the Waste Diversion Organisation (WDO).

Different stakeholders in the WDO had entered into the agreement from positions of different strengths. The imbalance of stakeholders' political powers has led to a

curtailed product stewardship model as an outcome of the WDO.

The positions of different stakeholders and their perception of product stewardship benefits explain why the WDO process was possible.

**Government.** The political goals of satisfying interests of the major influential electorate group – the private sector – are the predominant goals of the Provincial government agenda.

There is no clearly expressed and enforced governmental strategy or policy directed at the goals of sustainable development; resource conservation, effective waste management, and encouraging sustainable change in product policy. The non-existence of a relevant policy framework and the government's impotence determines, to a large extent, a negative political climate to product stewardship models. Therefore, the most influential stakeholder in waste management – the government – does not perceive product stewardship as a beneficial policy approach since it can have a negative affect on the government's political success. In Ontario, governmental and commercial interests are the same and dominate public policy making.

### **Municipalities**

Local governments have some political and some economic power and potentially could opt for more comprehensive product stewardship. They have played an important role in encouraging industry and government to resolve the Blue Box problem, by laying some responsibility on the industry. But municipalities have weakened their power to influence the process, or continue demands for product stewardship, by entering WDO from a weak position. The goals of sustainable development are recognized on the local level, but short-term economic and political interests dominate in this stakeholder group. The municipal representatives also see product stewardship in some way as threatening these interests, as they can lead to job cuts in municipalities. Politicians on local government level have also been under the influence of the private sector because of economic factors and political liaisons and therefore have compromised the interests of the municipalities and have not opted for comprehensive product stewardship.

The weakness of the political power of the local government is in itself a result of a political setting in the province arranged in the interests of the private sector

### **ENGOS**

Environmental groups in the province ultimately support product stewardship models. But this does not influence policy decisions in the Province because ENGOS (environmental non-governmental organisations) have no political economical power and are lacking expertise in waste management policy. Just as with municipalities, the lack of ENGO political power and resources in Ontario can be considered as part of a successful strategy of the conservative government, driven by commercial sector

interests directed to the minimization of public input in policy making. The strategy includes the cutting of funding and changes in environmental regulations.

ENGOS and Municipalities have similar goals and attitudes to product stewardship, but there is no co-operation between them, a fact that limits their combined political power.

### **Industry**

Industry has the highest political and economic power in the province due to the high level of cooperation among industry lobbyists and due to having unrestricted access to the political process. Industry enjoys the benefits of influencing public policy-making in the conditions of the elected government's self-withdrawal from political power. The private sector strongly opposes product stewardship approaches and has no incentives to adopt voluntarily goals of a sustainable society, as they would involve cost internalisation by the private sector.

By entering WDO with its curtailed model of product stewardship private sector both responds to the existing public pressures and proactively, aims to create a setting in the province that can prevent the change towards product stewardship in the future.

The political climate in the province, with product stewardship being inevitable due to public pressure, but not desirable and opposed by the most influential actors – government and industry, led to the curtailed model of product stewardship within the WDO process.

**WDO is a voluntary agreement with false goals.** The agreement had pure political nature. It was initiated by industry and provincial government because of political motivations. They wanted to avoid an intensifying public pressure and in the case of industry, to avert any potential changes toward product stewardship that the government could undertake in the future.

The main motive for government to use this voluntary agreement as a policy instrument, as opposed to regulations, is that the provincial government had to find a way to satisfy public demands without taking actions that could disadvantage the current government image as a protector of business interests. Therefore, the government, by entering a voluntary agreement with industry, gains a double aim:

- To indicate to the municipalities and other stakeholders that the government is addressing the issue;
- To shift the burden for taking action to the regulated industry and allow them to take action in the most cost-effective way, so that government cannot be

blamed by the private sector for affecting, negatively, their bottom line.

For industry, the WDO agreement is also the way to avoid further interrogations with the public without making major challenges to their business behaviour.

**The WDO process, despite its seeming transparency, has denied public input in defining the goals of the negotiated agreement and represents a typical example of “the backroom approach to environmental decision making”.** WDO is an example of a voluntary agreement where public involvement and impact on the context of the agreement is missing. In conditions of limited public influence on the content of a voluntary agreement, the political interests of government, driven by commercial agendas has outweighed any considerations of sustainable waste management policy.

The WDO process is proclaimed to be an example of a product stewardship model enjoying societal acceptance. This report shows that WDO is not a case when social acceptability is achieved due to maximum satisfaction of all the stakeholder groups. Instead, the WDO process is an example when potentially wider societal benefits of a comprehensive product stewardship/EPR model are sacrificed because policy making is guided by the interests of the most powerful in political terms actor and imposed on other stakeholders by using political and economical leverages.

Being dominated by industry, rigid in its efforts to maintain status quo in waste management, **the WDO process recommends a curtailed model of shared responsibility**, insufficient to provide sustainable changes in product systems. It ignores the potential benefits of a comprehensive product stewardship, such as providing stimulus for waste reduction at source, waste minimization, and reuse. An arrangement under WDO:

- Does not take into account a life cycle approach to waste management;
- It does not fully internalise costs of waste management;
- It does not provide incentives upstream for waste reduction and reuse;
- It does not encourage innovations in product changes and changes in business behaviour;
- It does not provide sufficient incentives for sustainable recycling because there are no performance targets for recycling;
- It does not provide direct economic/regulatory incentives for development of market for secondary materials.

Therefore, **the WDO approach is unsustainable** on the conceptual level and may put waste management policies in the province into an inefficiency trap.

The example described in this report is an example confirming the conclusions by Reid Lifset, based on his analysis of EPR models in North America: “The future of EPR will depend on the political fate of conservative attempts to limit environmental

regulation – and of the reaction to those initiatives.”

Despite the deficiencies of WDO process, it indicates a shift towards product stewardship, even though it is very limited in its extent. There is a potential that WDO will be continued and reformed in a more comprehensive way in regard to producer responsibility form, as soon as industry realises that wider financial responsibility can be more efficient, not only for society, but for the private sector itself.