



## Retail Council of Canada

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Laurie Streich  
Director, Pollution Prevention Branch  
Manitoba Conservation  
106-123 Main Street  
Winnipeg, MB R3C 1A5  
Via E-Mail: [Laurie.Streich@gov.mb.ca](mailto:Laurie.Streich@gov.mb.ca)

### **RE: Draft Guideline for Hazardous or Prescribed Household Material Stewardship**

Dear Ms. Streich:

On behalf of Retail Council of Canada (RCC) and its members operating in Manitoba, I am writing to provide comments on the *Draft Guideline for Hazardous or Prescribed Household Material Stewardship*, as per the stakeholder consultation session RCC participated in on March 15, 2010.

RCC has been the Voice of Retail in Canada since 1963. We speak for an industry that touches the daily lives of Canadians in every corner of the country – by providing jobs, career opportunities, and by investing in the communities we serve. RCC is a not-for-profit, industry-funded association representing more than 40,000 store fronts of all retail formats across Canada, including department, specialty, discount, and independent stores, and online merchants.

The retail industry is one of the most competitive and vibrant sectors of Manitoba's economy, creating over \$14.9 billion in 2009. With over 6,800 establishments in Manitoba, the retail sector reaches every corner of the province. Employment in the retail sector represents 11 per cent of the province's total employment, directly employing over 640,000 citizens. The contributions made by this economic sector are felt in every corner of the province and affect the lives of all residents.

Retailers, as the sellers of designated products and the touch point for both consumers and manufacturers, have a significant stake in the development of stewardship programs. Currently, RCC's members are active participants in over 40 such programs across the country.

RCC has been actively participating in the government's consultations on the development of the Regulations and Guidelines for Hazardous or Prescribed Household Material Stewardship since 2006. We appreciate the opportunity to provide our comments on the latest Draft Guidelines, which has significant implications for small and large retailers across the province. The following represents the initial thoughts of retailers, which may be added to and/or refined as further discussion and consultation takes place.

### **Program Plan Development and Implementation Timing**

Section 21 (2) of the *Household Hazardous Material and Prescribed Material Stewardship Regulation (16/2010)* states that section 3 of the Regulation – which stipulates that “no person shall supply designated material for consumption unless the steward of the designated material operates or subscribes to a household hazardous material or prescribed material stewardship program” – comes into force on April 1, 2011. By including a hard date in the Regulation, affected industry stewards who are responsible for the development and implementation of plan(s) for designated materials are now severely constrained.

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In RCC's submission (dated November 13, 2007) to Manitoba Conservation on the then *Proposed Hazardous or Prescribed Household Material Stewardship Regulation*, we recommended the following timeframe:

*A program plan for Hazardous or Prescribed Household Material must be submitted for approval to the Minister within 12 months of the date this Regulation comes into force. Following that, the plan must be implemented within 12 months from date the Minister approves the Hazardous or Prescribed Household Material waste stewardship program plan.*

However, for reasons that have never been provided, our recommendation was not accepted and now we are in a position of having an extremely limited amount of time to develop a plan.

Retailers have expressed concerns in other jurisdictions with the extraordinarily quick pace that governments have allocated for the development of product stewardship programs, and this is no exception. Retailers require ample time and opportunity to fully digest any program plan, budget for it, and take the necessary steps to prepare their respective organizations for compliance with the program. This is compounded by the fact that retailers are engaged in the development of other stewardship programs, which can leave them resource challenged. Below is a list of just some of the activities that need to be completed in order to meet the government's aggressive timelines:

- (a) Affected industry stewards to provide comments to Manitoba Conservation on Draft Guideline
- (b) Manitoba Conservation to finalize and release Guideline
- (c) Develop program plan(s)
- (d) Incorporation of industry steward group(s)
- (e) Consultation with stakeholders on draft plan(s)
- (f) Consideration of feedback received from consultation and make any necessary changes to plan(s)
- (g) Industry steward group(s) finalize plan(s)
- (h) Submission of program proposal(s) to the Minister of Conservation
- (i) Manitoba Conservation posts program plan(s) for 28-day public consultation period
- (j) Minister of Conservation decision on program plan(s) approval(s)
- (k) Industry steward group(s) work with stakeholders and government on program implementation
- (l) Registration of stewards for new program(s)
- (m) Program(s) launch

Item (j) is particularly concerning as the government approval process is unclear. At the March 15<sup>th</sup> information session, Manitoba Conservation officials stated they have allocated one month for plan approval. However, the government took three months to approve the Packaging and Printed Paper program. Each day the government delays program approval it shortens – and potentially jeopardizes – implementation.

Further that, the government should consider that they may have to approve multiple plans as it is extremely unlikely that one industry group will come forward with a plan covering all materials designated. The list of designated materials is extensive and covers a large range of product categories (ie. waste household hazardous materials; pesticides; pharmaceutical products; natural health products; automotive antifreeze; pain; fluorescent lighting; lead-acid automotive batteries; rechargeable batteries; and other batteries).

The government's proposal is that plans are due August 3, 2010 (as per the current Draft Guidelines), with a launch on April 1, 2011, thereby allotting less than 8 months for implementation of multiple programs. Not to mention that the electronics program will also be launching at the same time, which places our members who sell both household hazardous materials and electronics in an untenable situation, as they will have to prepare their organizations for compliance with multiple programs expected to be launched all at the same time. Retailers require ample time and opportunity to fully digest new program plans, budget for them, create or make changes to their internal systems to track the designated products that they will have to report on and all the other activities that retailers do to ensure they are ready to comply with such new programs.

Further, it appears that these timelines have not taken into consideration the government's own approval process, or the time needed to work with industry plans that do not meet requirements of the Regulation.

***RCC recommends that the Draft Guideline be amended to allow for phasing of the designated materials and further, to include a timeframe for the government approval process.***

### **Environmental Fees**

RCC's industry-wide position is that it is each individual retailer's decision on how they wish to manage environmental fees (also referred to as "environmental levies", "eco-fees" and "environmental handling fees" in other jurisdictions) associated with provincial product stewardship programs. Retailers require flexibility to determine what works best for their business model on how they wish to manage and display the fee (ie., visibly as a separate line item on the sales receipt; hidden or imbedded within the final selling price; or to absorb the cost wholly).

As such, RCC and its members do not support clause B (4) in the Draft Guideline which states that "fees, if any, will be set and collected under an approved program plan and integrated into the price of the product communicated to the customer, unless otherwise approved by the Minister".

While most stewardship programs in Canada have remained silent on how fees are managed and displayed some programs, including New Brunswick's paint recycling program, have been designed to require retailers to bury the eco-fee within the final selling price of a product, thereby, hiding the costs from consumers. RCC has analyzed the consequences of such practices on retailers and identified a number of serious impacts on them including but not limited to:

- Retailers who lease their premises **pay more rent**: rent is based on gross sales, which increase as prices are increased to cover stewardship program costs. This is a particularly troubling concern for small independent merchants.
- **Higher advertising costs** are incurred for national or regional retailers who must produce separate production runs with province-specific pricing.
- Some national and regional retailers have **information systems that cannot be configured for higher prices** in a given province for the same product.
- Product prices in the province may become **inflated** as a result of the mark-ups that occur along the supply chain **driving business out of the province** to neighbouring jurisdictions where the advertised price of a product is lower because there is not an imbedded fee.

Supply chains are complex. Products come to market through a variety of channels, different for every retailer depending on their business practices. Mandating hidden fees has effects across the supply chain, typically resulting in increased costs for consumers; much more than if the retailer chose to add the fee visibly as a separate line item on the sales receipt. Since most supply chain fees are based on product cost, weight, cube and handling requirements, among other things, adding the fee at the beginning (as would be done if the fee had to be hidden) increases the cost throughout the supply chain as illustrated in the example below (for illustrative purposes only).

Using product costs and 10% handling fees at each level of the supply chain (column 1), paint as the example and assuming a \$20 manufacturer cost and a \$1 eco-fee, the below chart is an example of the impact on the final cost of the product using a hidden fee (column 2) and showing it visibly on the receipt (column 3):

(1)	(2)	(3)
Supply Chain Process/Costs	Hidden Fee Example	Visible Fee Example
Manufacturer Cost	\$20	\$20
Eco-Fee	\$1	--
Transportation to warehouse	\$2.10 (based on above cost + eco-fee)	\$2.00 (only based on manufacturer cost)
Transportation to retailer	\$2.31	\$2.20
Retailer mark-up	\$2.54	\$2.42
Eco-Fee	--	\$1
Sales Tax (assuming 13%)	\$3.63	\$3.59
<b>TOTAL</b>	<b>\$31.58</b>	<b>\$31.21</b>

The above example illustrates that adding the fee at the beginning of the supply chain because of mandated hidden fees, results in a higher total cost for the product by the time it gets to the consumer. Whereas, separating the fee at point-of-purchase results in a lower cost.

Furthermore, retailers believe that the transparency of program costs provides an important opportunity to educate consumers about a stewardship program, and hence encourage their participation. If a stewardship fee on a product or package reflects the true cost of managing that end-of-life product or packaging, the consumer has the ability to make sustainable purchasing decisions.

RCC supported the language originally used in the Draft Guideline (dated October 2007) which stated that: "Fees required to support the implementation of an approved program plan will be set within an approved program plan and collected from product stewards. Stewards are responsible for informing consumers of how the program is funded."

***RCC recommends that section B (4) of the current Guideline be amended to reflect the original 2007 language as per the above. Failing that, section B (4) should be deleted from the Guideline.***

### **Conclusion**

Thank you for the opportunity to provide our comments on the *Draft Guideline for Hazardous or Prescribed Household Material Stewardship*. Retailers are willing partners and want to work together on ensuring that a successful program for managing household hazardous materials is developed. We believe that our recommended changes to the Draft Guidelines will allow for the development of a successful waste diversion program for household hazardous materials. If you require any further information or clarification, please do not hesitate to contact me at (888) 373-8245.

Sincerely,



Rachel Kagan  
National Director, Environmental Affairs

cc: Jana Schott, Project Manager, Community & Economic Development Committee of Cabinet  
Jim Ferguson, Manager, Municipal & Business Programs, Manitoba Conservation  
Rod McCormick, Policy Analyst, Manitoba Conservation  
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