

## Tax-deposit System has no Foundation in Health

By Jim Goetz, President  
Canadian Beverage Association

A tax-deposit system combines specialized product taxation with a container recycling deposit, much like what is currently in place for alcoholic beverages in Ontario. It has been suggested that a system like this could prove beneficial to public health and the rising obesity issue in Canada if applied to sugar-sweetened beverages (SSBs), but this is simply not the case for two reasons:

First, proposing higher taxes on SSBs fails to consider the changing consumption trends that are already occurring in Canada; and second, tying these taxes together with a deposit recycling system for refreshment beverage containers under the umbrella of an anti-obesity strategy is illogical, with no foundation in reason or any proven health outcomes.

Public health and environmental stewardship are two separate and serious issues for our country—both of which the refreshment beverage industry is highly cognizant of and actively engaged in initiatives to improve.

### SSB taxes won't work

Sugar-sweetened beverages hold a disproportionate focus as unique contributors to obesity. According to 2014 Canadian data, Canadians' calories from non-alcoholic beverages make up only 5% of our diets, based on an average 2000 calorie per day diet. The same source says Canadians' beverage calories have declined by 20% in the past decade, while instances of obesity have grown, according to Statistics Canada.

A tax can not be justified by the World Health Organization's recommendation to limit added sugar to 10% of daily

energy intake because, depending on the study, the average Canadian's daily intake from added sugar differs by only 20-100 calories more than this recommendation, according to authors of a 2014 study titled, "Estimated intakes and sources of total and added sugars in the Canadian diet." Not all of those calories come from beverages. Any resulting change from raising taxes on SSBs would therefore have a negligible impact on reaching this 10% goal.

There has been some comparison to the beverage tax in Mexico; however, Mexicans consume twice the volume of SSBs as Canadians, and Mexico's tax has not actually succeeded in impacting public health. A small decrease in soda sales in the first year was equivalent to a scant reduction of five calories per day. In fact, there is no case globally in which beverage taxes have resulted in health benefits.

The beverage industry recognizes its role in the lifestyle of Canadians and is already innovating to positively impact the calories we consume from beverages. Successful past initiatives include prohibiting the marketing of almost all beverages to children, removing certain products from schools, and voluntarily providing a clear calorie label on the front of all beverage packaging.

Most recently, the industry announced its Balance Calories initiative, which is actively working toward reducing Canadians' daily beverage calories by an additional 20% by 2025. This will have real-world impact in helping people reduce their consumption of calories and sugar from beverages, without increasing consumer and taxpayer costs.

### Deposit recycling system unsuitable for Ontario

Consumer convenience is an important factor in increasing the diversion rate of beverage containers. A system that forces consumers to walk past

their Blue Box to return beverage containers to another location is not only inconvenient, but environmentally inefficient, considering greenhouse gas emissions. Furthermore, operating a deposit system parallel to a curbside recycling program results in higher overall costs to consumers, municipalities, and industry.

The beverage industry believes there is a better model for Ontario. As the supplier of a portion of recyclable materials into the marketplace, taking responsibility for its role in environmental stewardship is crucial; the advent of the Waste Free Ontario Act offers beverage companies opportunity to increase the recycling rate without having to impose a costly and inconvenient deposit system. This is why the Canadian Beverage Container Recycling Association (CBCRA) filed an Industry Stewardship Plan with Waste Diversion Ontario, proposing an integrated recycling system similar to Manitoba's Recycle Everywhere program.

### Industry Stewardship the way forward

Instead of charging a refundable deposit plus a non-refundable container recycling fee, the CBCRA system only charges a container recycling fee, used to help recover beverage containers in the residential blue box program; provide free recycling bins to businesses, multi-family dwellings, municipalities, public spaces, and special events; and, run award-winning promotional and educational campaigns to raise awareness about the importance of recycling.

Since CBCRA's 2010 launch in Manitoba, litter audits in the cities of Winnipeg and Brandon have shown 48% and 56% less beverage container litter, respectively, while Manitoba's third largest city, Steinbach, exhibited the lowest litter numbers ever seen by the independent auditors for any city in North America. In its first five years, Recycle Everywhere raised Manitoba's overall beverage container recovery

rate from 42% to 65%, meaning 55% more beverage containers are being recycled today than just a few short years ago.

While it is true deposit systems typically achieve recovery rates near 75%, most have been in place for decades and their implementation brings many other complexities beyond significantly higher costs and inconvenience for consumers. Canadian Beverage Association members believe all stakeholders play a role in developing workable solutions to the serious issues affecting Canadians, but ideas should be based in scientific research with cost efficiency, consumer choice, and convenience at top of mind. ●●

## Ontario's Bill 151: A long road travelled, an even longer way to go

By Isabelle Faucher, Managing Director,  
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From the launch of the Waste Diversion Act's review in the fall of 2008, to the introduction of the failed Bill 91 in 2013, to the recent passing of Bill 151, the Waste-Free Ontario Act, legislative reform on waste diversion in Ontario has been a long time coming.

While Bill 151 was passed last June, little is known about how the actual on-the-grounds transition to compliance will take place. This is especially true for the Blue Box program, which will undergo a major shift. From a compensation regime in which producers currently offset a portion of municipalities' Blue Box program delivery costs, to a system in which financial and operational responsibility will rest with producers. Given our mission to grow carton recycling in Canada, the Carton Council has a vested interest for this transition to be smooth and seamless.

The Blue Box, which has been around for over 30 years, is recognized

internationally and is widely embraced by Ontario residents. Given that the government's Draft Strategy promised producers flexibility to meet their regulatory obligations, preserving the Blue Box collection system as we know it today may be difficult to entrench in regulation. Moving forward, producers will need to work together to ensure the integrity of the system. This does not necessarily require them to work under a single collective. But under a scenario where multiple compliance organizations will co-exist, these organizations would be required to work together to preserve and share the Blue Box collection system. In that case, the operation of these compliance organizations would need to be overseen by a neutral third-party, acting as a 'services clearinghouse.'

Carton Council's support for the continuation of the existing Blue Box collection infrastructure should in no way be interpreted as opposition to the development of multiple consortiums. Rather, we believe that these types of solutions can enhance the Blue Box system and even complement it. That's what we saw in Manitoba with the establishment of a dedicated program by producers to recover beverage containers consumed away from home.

To secure a smooth transition of the Blue Box system, it is critical that current service levels – i.e. collection frequency, the suite of materials accepted for collection, and geographic coverage – are maintained. And the ability of the government to set accessibility, collection, and management standards provides some important safe-guards in this direction.

At this point, it is still unclear what role the municipalities, which have been providing collection services since the Blue Box's inception, will have in the new system. For example, the Act requires producers and their service providers to implement a promotion and education (P&E)

program. However, it is municipalities who have been historically consumers' source of information on recycling services. Consumers, if not informed, may continue to go to municipalities in search of recycling information. In Quebec, under the new regime passed in 2010, industry assumed the full cost of the residential recycling system while municipalities remained in control of service delivery. P&E costs became non-eligible for industry compensation. System contamination increased significantly following this change: from 5.2% in 2006/07 to 12.8% in 2012/13. The little amount of municipal-led education efforts seems to have contributed to this. Now that it is clear that, with the passage of Bill 151, full producer responsibility for Blue Box waste is coming to Ontario, it will be important for producers and municipalities to begin the inevitable discussions to define their new relationship in order to avoid what happened in Quebec.

What is described above are just some of the considerations that policy-makers, producers, current system operators, and other affected stakeholders will have to ponder during transition of the packaging and printed paper program. The definition of targets and the methodology used to measure progress will surely be another source of much discussion during this time.

The Ministry of the Environment and Climate Change must be commended for the quality of the consultation process that it has led to date, setting a consultative and open tone for the long road that lays ahead. The Carton Council is committed to working closely with all stakeholders to ensure a successful transition towards a waste-free Ontario framework that overcomes current barriers and harnesses the environmental and economic value of recovered materials, including those that constitute food and beverage cartons. ●●