



The Honourable Charles Sousa
Minister of Finance
c/o Budget Secretariat
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March 25, 2013

**Re: Ontario Automotive Recyclers Association (OARA) 2013 Pre-Budget
Submission: Delegated Administrative Authorities for enhanced environmental
protection and economic competitiveness**

Dear Minister:

The Ontario Automotive Recyclers Association (OARA) has been the voice of the automotive recycling industry in Ontario since 1992. Since its inception, OARA has worked with members to improve practices within the industry and to collectively promote the benefits of responsible auto recycling. OARA represents approximately 130 auto recyclers that process and recycle approximately 190,000 end-of-life vehicles (ELV) annually.

OARA members adhere to the Canadian Auto Recyclers' Environmental Code (CAREC) a voluntary national standard for recycling ELVs responsibly. CAREC evolved from the earlier National Code of Practice for Automotive Recyclers developed with Environment Canada in 2008 for recyclers participating in the National Vehicle Recycling Program: Retire Your Ride. OARA has been an active participant in developing, promoting and administering these improved standards for recycling ELV.

Unfortunately not all vehicles in Ontario are recycled in accordance with the CAREC standard. In Ontario it is estimated that approximately 640,000 vehicles come off the road each year. While 94% of these are recovered for recycling and 83% of a typical vehicle is recycled by weight, over two thirds are not processed in any systematic way.

ELV recycling is largely a commodity business driven by least cost and volume. It is often less costly for processors to dump hazardous wastes, such as oils and antifreeze, or release substances of concern, such as ozone depleting substances (ODS) or the contents of mercury switches to the environment than collect them and ensure they are processed properly.

Poor processing practices include crushing and shredding of vehicles that have not had fluids or other materials removed. Vehicles are generally crushed and shredded before they are shipped to bulk metal recyclers. Fluids can be absorbed into vehicle shredder residue. Other substances such as mercury and ODS are released into the environment (contrary to prohibitions under the EPA.)

Incredibly, most ELV recyclers are unknown to government and operate without any oversight with respect to their processing practices. Derelict motor vehicle sites are exempt from key environmental regulations under the Ontario *Environmental Protection Act* (EPA).

To address these issues OARA has worked collaboratively with the Canadian Vehicle Manufacturers' Association and the Association of International Automobile Manufacturers of Canada to develop an environmental-standards based policy approach to auto recycling that is primarily built on CAREC.

This approach will professionalize auto recycling, create jobs in the sector, maximize parts reuse and recycling, reduce wrecker fires, reduce fraudulent "recycling" of stolen Vehicle Identification Numbers (VINs) and also bolster the competitive footing of the Ontario auto manufacturing sector by ensuring a market-driven approach to ELV recycling that maximizes environmental outcomes with no new costs to consumers.

There is broad consensus on the need for implementation of a uniform auto recycling standard and our associations are working closely with the Ontario Ministry of Environment (MOE) to develop a fully realized policy proposal.

One of the key elements of successful implementation of any new standard is effective oversight and enforcement. Without uniform application and effective enforcement across markets, standards can do more economic harm than good. The potential cost differential between those businesses that comply with the standard and those that do not can actually widen if enforcement of the standard is not effective.

Enforcement of environmental standards has traditionally required more government resources, but MOE does not necessarily have new administrative and fiscal resources to undertake these tasks.

In 2012 Gord Miller, Ontario's Environmental Commissioner characterized the Ministry's and government's fiscal situation in relation to environmental programs by stating:

"I expect more environmental programs to come under threat in the near future, regardless of the long-term consequences... at some stage we will reach a tipping point. Beyond this threshold, we will lose meaningful policy and program capacity in these ministries for the sake of spending reductions that can really have no substantive impact on the deficit."

The government's current fiscal situation may require the use of alternative service delivery mechanisms to ensure programs such as a common environmental recycling standard for auto recyclers can be implemented effectively in the long-run.

Don Drummond, the Chair of the Commission on the Reform of Ontario's Public Services, encouraged the government to review potential use of Delegated Administrative Authorities (DAA) to delivery regulatory services noting:

"In a time of fiscal constraint, there is a risk of service erosion as regulatory ministries seek to reduce costs. It is important to explore different forms of service delivery through arm's-length bodies."

The Drummond Report's Recommendation 16-8 states:

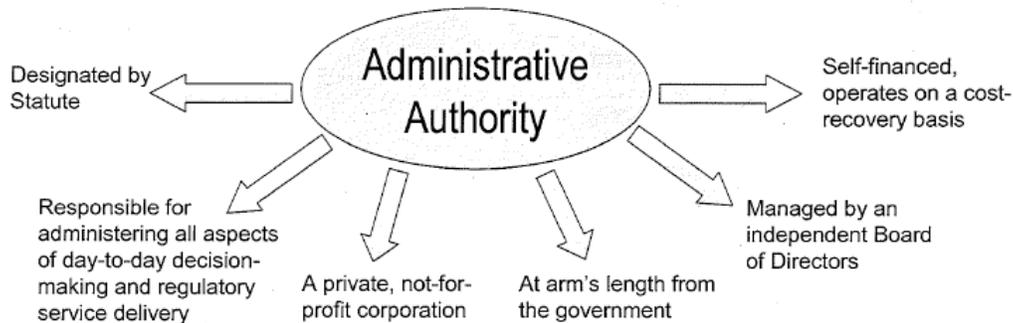
"Where there is an existing non-tax revenue stream or where such a revenue stream can be created, strong consideration should be given to transferring or establishing responsibility for direct delivery to an arm's-length, not-for-profit corporation, under the Delegated Administrative Authorities or similar model."

OARA supports the use of the DAA model as a way to administer and enforce a common environmental standard for auto recyclers.

The Ministry of Consumer Services describes the Administrative Authority model in the figure below.

The Administrative Authority Model

The Administrative Authority Model establishes an accountability and governance framework between a Ministry and private not-for-profit corporations that administer legislation on behalf of the government. A Ministry retains overall accountability and control of the regulating legislation



Various government reviews have confirmed that DAAs are effective and cost efficient regulators.

A Delegated Administrative Authority model can maintain a responsive, efficient and flexible regulatory system that protects the public interest while minimizing costs and burdens on industry. The Ministry of Consumer Services identifies some of the key advantages the DAA approach to regulatory oversight as:

- Reduced costs to taxpayers;
- Dedicated staff and resources committed to particular DAA objectives;
- Recruitment and retention of industry expertise and on-going links to technical expertise through advisory councils and board membership;
- Nimbleness to respond quickly to emerging issues, best practices, and new technology in the marketplace and ability to link expenditures to risk-based assessment of needs;
- Increased and on-going investments in a number of operational areas including enterprise information technology systems and education and prevention programs.

Currently, the Lieutenant Governor in Council (through regulation) can delegate an Administrative Authority the power to administer certain acts identified under the *Safety and Consumer Statutes and Administration Act* (SCSAA).

The 2012 budget bill contained Schedule 11, *Delegated Administrative Authorities Act, 2012* which would have allowed the government to prescribe additional DAAs through regulation and for those DAAs to administer delegated legislation or regulations (i.e. designated DAAs through regulation as opposed to amending the SCSAA). This would have increased the government's flexibility to create new DAAs.

Subsequent amendments to the Section 11 of the budget bill neutered it by eliminating the ability of the government to establish new DAAs quickly and effectively¹.

OARA supports Section 11 of the 2012 budget bill as originally drafted. Enacted intact, it would provide the Ontario Government with the means to seriously consider the DAA option as a means to achieve the worthy objective of “*the efficient and effective delivery of delegated government programs and services by independent not-for-profit corporations operating within a strong accountability and governance framework.*”

¹ The amendments included a requirement for the approval of the Legislative Assembly for any new DAA and a five-year wait period for the collection of fees by any new DAA.

If you, your staff or the Standing Committee on Finance and Economic Affairs have any questions please do not hesitate to give me a call.

A handwritten signature in black ink that reads "Steve Fletcher". The signature is written in a cursive, flowing style.

Steve Fletcher, Executive Director
Ontario Automotive Recyclers Association

cc. The Standing Committee on Finance and Economic Affairs