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Discussion

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Discussion After the Speeches of John Hanson and Roger Cotton

QUESTION, *Professor King*: I wanted to find out from both of you whether there has been much coordination of standards and activities between Canada and the United States. Did you want to comment on that?

ANSWER, *Mr. Cotton*: Yes. I think, from the Canadian side, the industry has been looking primarily to the United States for technology development and, to a certain extent, for technology funding. And I use the example of Ecologic that had to come down to the states to get their technology approved.

John Hanson pointed out that if you are a company in Canada or the United States, you do not want any uncertainties about whether this technology will work. And you will always choose the one that has a proven track record over something that is new. The only way to get around that is with some sort of certification or approval process whereby a regulatory authority says, "yes, we have tested it." The results are tested, and it will succeed. It seems that Canadians have been slow to develop those kinds of authorities themselves. Even if they did, there is this typical Canadian problem of, oh, well, it is approved by the Canadians, but nobody else has approved it, so maybe it is not any good. That hurdle, I think, will drive us to use U.S. approval processes more than developing our own.

COMMENT, *Mr. Hanson*: My impression is that, rightly or wrongly, the U.S. environmental authorities tend to think of themselves as world trend setters, and they tend not to look other places. Although I do know that, on the chlorine issue, it is an issue where I guess to the chagrin of industry — and since I represent industry, I will say unfortunately from the industry's perspective — there is a good deal of cooperation between authorities on that particular issue which the U.S. industry is also very much resisting.

QUESTION, *Professor King*: When all is said and done in terms of the effect of the Republican contract, after the Senate action, what is your assessment of the effect? What is your forecast on that?

ANSWER, *Mr. Hanson*: First of all, I think the Senate will leaven the loaf considerably, but that we are seeing the beginning of a change that will express itself over time, over the next two decades, probably. And the concepts that drive U.S. environmental regulation, like cost-effectiveness and risk assessment, will tend to be more grounded in real terms than in the type of what I will call scare reaction that Roger Cotton described with the PCB truck going across Canada. To rip up a whole road like that is absolutely ridiculous. So I

think there will be a change in direction. We have gone twenty-five years in a "when in doubt, clean it up" kind of a thing. And now I think we will be much more realistic. For example, we have so many properties in the United States that, under present standards, you could not use for anything else, but could be used, for example, as an industrial park in the inner-city. There is a considerable movement now to "get real" about those and recognize that not every piece of property in this country is going to be a playground for a seven-year-old child. It can be productively and safely used from the perspective of the environment and individuals. It does not have to be a sandbox.

QUESTION, *Mr. Faye*: Have the investors in environmental companies over the last five years had a successful track record? It is my impression that they have been losers, and so I wondered, what progress have we made?

ANSWER, *Mr. Hanson*: I think they probably have done all right in the main, or else I do not think this market would be growing at the rate it is growing. But I am not a money guy.

COMMENT, *Mr. Cotton*: My impression is the ones that get to a size that they can be researched and evaluated have done well. The problem is that they never get to that size. That is a bit of a roll of the dice. We get a lot of mad scientists in this business. Rarely does a month go by that I do not have someone on my door step who is going to solve all of our environmental problems overnight. What we heard from those market analysts, and so on, is that this is a difficult market to analyze. Others would probably know more than I do.

QUESTION, *Mr. Langmack*: Back to the paper pulp, our families are busily gathering newsprint and taking it down to the town hall. They are picking up the newsprint, and they are hauling it away. I understand that it just goes to a dump someplace. It does not really go to be recycled into some other product. Is that true or false? How much recycling of newsprint is really going on?

ANSWER, *Mr. Cotton*: Newsprint is getting to be a valuable commodity in Canada. The newspaper's clients are coming to the pulp and paper companies saying we have to have a percentage of recyclable material. So many of them, most of them, have built recycling plants, that is, de-inking plants to take the ink out of the paper so it can be reused at their sites. And we now have to comprehend the situation of hauling newspapers, used newspapers, thousands of miles. I find this hard to comprehend. If you think of where the pulp and paper mills are located in Canada, many of them are 1,000 miles north of Toronto. The paper is coming back up to those mills so that the mills can get a percentage of used paper into their newsprint so they can sell it. I think if you did a wholistic economic analysis or cost-benefit analysis, you would have to wonder whether this makes sense. In addition, taking the ink out of the paper creates a new environmental problem. What do

you do with that? You have a new waste that you did not have before. Maybe not a new one. It went into the mill before, but now it is concentrated sludge that you have to deal with.

So we have a very active blue box program in Toronto. And before our garbage people can make it around in the morning, the newspaper and corrugated cardboard disappears from private entrepreneurs who are driving around stealing it.

COMMENT, *Mr. Hanson*: I represent a lot of recyclers including, historically and presently, the largest paper recycler in the country. The heart of the paper industry in the United States historically, and I think still today, is the Fox Valley in Wisconsin near Green Bay. And in the old days, if you will, the newspapers came to these recyclers for free. Now they have to buy them. Old newspapers are a commodity.

QUESTION, *Mr. Barrett*: In the history of our environmental regulations, we have used a couple of different approaches. We have used health-based regulations, like the ambient air quality standards and the Clean Air Act. We have used technology-based regulations, the Clean Water Act. We have seen a limited market-based incentive. Sulfur dioxide trading programs have started to emerge. Economists tell us which ones of these should promote innovation the most. But what has really happened over the history of these laws? Has there been a market difference based on approach, or not? I am interested in your thoughts.

ANSWER, *Mr. Hanson*: My thought is that the approach that has succeeded the best is the approach that embraces the technologies that have satisfied the regulators, the command and control philosophy, more like the technology-driven approach under the Clean Water Act, than any of the others that you have listed, and there are others. What I was trying to emphasize is the idea that we need to move beyond that now to build, if you will, pollution controls into product manufacturing. That, I think, ultimately will succeed most effectively because it speaks to two masters. It speaks not only to the pollution gods. It also speaks to the cost of the goods-sold gods. If you can produce a product cheaper, and it is clean, you have genuflected twice with one knee bent.

QUESTION, *Professor King*: You mentioned that it is a matter for the Provinces in Canada, the question of environmental regulation. Has that led to wide differences in terms of how Quebec compares with Vancouver?

ANSWER, *Mr. Cotton*: That is a very good question, and the rather odd conclusion is that there is more of a consistency than a difference between the provinces.

Forty percent of Canada's industry is in Ontario. So Ontario has been the leader in environmental regulation, and they began this wave of environmental liabilities. We had five company presidents in Ontario go to jail for environmental offenses in the last two years. We have

multi-million dollar environmental fines. We have more charges against managers and employees of companies than we do against the companies, because they discovered individual liability works.

Initially we said that that was simply Ontario. They could afford it. They had most of the industry. Whereas other provinces had a dependency on one or two key industries and would not go after them. What is strange, though, is that the politicians read the poles and saw how popular environmental regulation was, how popular it was to put people in jail and go after these companies that, even in the most free-spirited provinces like Alberta, they rewrote their environmental laws. And Alberta now has one of the most comprehensive environmental regimes in the country. Gradually Quebec and British Columbia caught up, if not surpassed Ontario, in the amount of environmental regulation.

On the resources side, British Columbia is now way off, like California is, on a path of its own. When you get an A-minus on your report card as British Columbia did last year for wilderness preservation, you know you are doing something that is anti-industry out there. So when you look across Canada, we have not, as a result of this jurisdictional issue, created pollution havens by any means. There is a uniformity across the country.

QUESTION, *Professor Shanker*: If no one has a better question, we have just gone through a personal experience in the last twenty-four hours. We bought a new toilet. We learned that they are now subject to all sorts of regulations to preserve the water. Our plumber said, as of a certain time this year everyone had to have a certain kind of a flush capacity. He said, I do not want you to go out and buy it because everyone who has bought it has had nothing but trouble. Luckily we were able to get a larger capacity flush. He tells us that they do not work. They clog up and always have problems. People we know who have bought them report exactly the same thing.

Where is the goof up in the technology? Who made the mistake, the regulators, the innovators, or do you even know?

ANSWER, *Mr. Cotton*: John is the toilet expert.

ANSWER, *Mr. Hanson*: That is a specialty that I work hard at. Obviously it was designed wrong, to be sure. There was a mistake when regulating the official who blessed it.

COMMENT, *Professor Shanker*: He mandated it more than blessed it.

ANSWER, *Mr. Hanson*: It was a capital mistake. I would just remind you of two concepts that are dear to us in this country. The one is enforcement discretion, and the other one is that your home is your castle. And remember the fourth amendment.