RECYCLING ECONOMICS
ACCOUNTING FOR COST OF DISPOSAL & UTILIZATION

Rationale

In the past, consumers have purchased products or materials without regard to the costs of disposal that are paid after the products' intended use is completed. Manufacturers have not generally factored into the design or manufacturing of products the environmental liabilities or costs to consumers of disposal, resource depletion, habitat loss and ozone destruction.

Now that disposal capacity is recognized as a scarce resource, product disposal costs shall be borne. at least in part, at the production level, where design decisions are made. In this way, industries will be able to fully account for the effects of their products on the environment, and design their products and reduce packaging to minimize such effects. Consumers will then be able to choose to purchase products with a full understanding of the costs of propel disposal.

This approach is already being taken within the hazardous waste arena, where source reduction and waste minimization are recognized as the most cost-effective response to the concerns raised by the need for proper disposal and by the liabilities associated with the clean-up of hazardous wastes.

In addition to the direct costs of disposal, costs for public education, product redesign incentives and disposal alternatives should be borne through product charges. In the long run, all environmental costs of a product, including its true resource costs, should be included in its price.

Including such factors in design decisions will ultimately contribute to the United States competing more efficiently in a global economy by eliminating waste of material, energy, and human resources.

Mechanisms that could assist or encourage industry in evaluating such factors, in addition to product charges, include processing fees, repeal of tax and favorable policy treatment for mining and virgin material usage, regulatory reviews regarding new products, clarifying the liability of manufacturers for environmental costs associated with use or misuse of their products, environmental labeling, certification procedures, and technical assistances research and development assistance to assess product impacts. In addition, waste management and disposal should be priced to reflect their true environmental and economic cost.

Manufacturers have begun to respond to the interest in designing for waste reduction and recyclability, but have difficulties in assessing which alternatives would ultimately be viewed as more environmentally sound by consumers. Manufacturers would welcome clear national leadership in these areas. The appropriate mechanisms should be implemented first on a voluntary basis targeted by commodity and specific market segment.

Improvements in other major national policies could contribute dramatically to better product design choices by manufacturers.

Policy

1) The National Recycling Coalition encourages manufacturers to voluntarily evaluate the environmental liabilities or costs of their products before introducing those products to the marketplace.

2) The Recycling Advisory Council or National Recycling Coalition should identify ways in which manufacturers and/or the federal government could assess the impacts and/or liabilities of products prior to their introduction into the marketplace.

3) The National Recycling Coalition encourages the federal government to conduct an ongoing review of all federal fiscal policy, such as federal subsidy programs and rate structures, to identify the environmental impact of these policies, especially as they relate to resource utilization, and to establish appropriate changes. Such changes should include the following:
   a. Elimination of virgin fiber subsidies associated with federal timber sales which artificially lower the price of wood fiber.
   b. Modification of freight rate structures to eliminate inequities in transporting from generation sources to recycling facilities.

4) The National Recycling Coalition recommends that the EPA develop simple, standardized accounting models that allow state and local governments to accurately measure and compare the full short and long-term environmental and economic costs of different solid waste management alternatives. Eventually these models should attempt to identify these costs in such a way as to internalize existing externalities associated with the various solid waste management options.

   These models should be as straightforward as possible and could be as simple as spreadsheets that carefully delineate all costs that should be taken into account such as landfill closure, subsidies such as land donations, property tax abatements, and municipal bonds for resource recovery facilities. Furthermore, the National Recycling Coalition recommends that federal and state waste management planning provisions be modified to include a requirement that local governments using the models developed above, analyze the full costs of different solid waste management options as part of the solid waste management planning process.

Cross-reference: Legislation and Regulation