Future Directions for Aggregate Economics

As you probably know, an *externality* (or transaction *spillover*) is a cost or benefit incurred by a party who did not agree to the action causing the cost or benefit. Thus a *negative externality* is a cost that is *involuntarily* borne by a third party *external* to the cause.

In recent years it has become more widely accepted and/or required that people or companies that cause negative externalities should compensate those who suffer from their actions. This happened recently, on a large scale, at BP’s Macondo well in the Gulf of Mexico where it was taken as a given that BP would have to compensate all who suffered a loss because of the unanticipated oil & gas blowout.

Unlike 40 years ago when the current ARA was crafted, there is widespread awareness of concepts like ‘Natural Capital’, ‘Social Capital’, ‘Ecological Economics’, ‘Social License to Operate’, ‘the Precautionary Principle’, and similar, that all indicate the direction our societies are heading. It is incumbent upon our governments to develop laws and protocols that incorporate these concepts and prepare the social landscape for the next several decades. This will not be an easy task, largely because the status quo has considerable inertia and entrenched special interests and methodologies that must be overcome.

There are many hopeful signs, if we will only become aware and engaged.

All of these concepts are strong indicators of the issues that are being grappled with and are gaining momentum as we speak. It is essential in drafting proposals for a renewed ARA that these directions be carefully studied and incorporated wherever possible. Failure to do so will only lead to future conflicts arising from an ARA that will be out of sync with the needs and priorities of society.

In Caledon where I live, a proposed open pit mine caused negative externalities. Property values were reduced and the marketability of residential properties was impaired in the area because of the potential damage that would become real if the applicant succeeded in obtaining permission to remove 1.5 million tons of aggregate annually from below the water table.

The blown BP well in the Gulf of Mexico is evidence of ‘one risky well too many’. Admittedly the Gulf example is extreme, but the principle is the same. We must learn the
lessons as they are presented to us. **We should not be creating ‘one pit too many’ in Caledon, or anywhere else.** The need for gravel is not so compelling that we should put at further risk the freshwater aquifers, the World Biosphere environment, the natural beauty of our Niagara Escarpment, and healthy lifestyles of our communities. Even though it may be much more profitable for operators to source aggregate ‘close to market’, gravel is readily available elsewhere. If the costs to obtain it from sources that have fewer negative impacts are higher, then we need to ask questions such as: “What is the price of compensating for the real and potential negative externalities?” and “Is it even possible to restore an aquifer once it is destroyed?”

These questions **must** be asked and will only be asked if the Act requires ‘Full Cost Accounting’, or as our Mayor Morisson referred to it - ‘Full Cost Recovery’, when evaluating project viability.

In many parts of our planet there have been, and still are, ghost towns created by the folly of chemical spills, radioactive accidents, and the drying up of water supplies, to name a few. We have no control over natural occurrences, but we certainly don’t need to intentionally and unnecessarily pursue activities that we *know* have the potential for serious environmental, economic, and social harm. The ‘Precautionary Principle’ should become an integral part of a renewed ARA.

For these reasons I urge you to make amendments to the ARA that will enshrine the Precautionary Principle and implement Full Cost Accounting in evaluating the viability of aggregate applications and site plan amendments. Applicants must be able to provide full assurances and compensation for any negative externalities they cause. At a minimum this would require that:

1) a condition of licensing would require posting a bond or providing a Financial Assurance Agreement of sufficient size;
2) much higher standards be established for protection of wetlands and aquifers, dust control, noxious ‘fugitive’ emissions, natural ecology, and rehabilitation;
3) a protocol be established for compliance that is far better, more rigorous, and more consistent than the ‘self assessment’ protocol presently in place.
4) the ‘close to market’ mantra be thoroughly re-evaluated and possibly discarded since it’s primary purpose appears to be to enhance profits for prosperous private corporations. This has been demonstrated in the past by examples such as the Brampton Brick quarry that once existed near the corner of Hwy.10 and Bovaird Drive. In that case and in the case of the Brampton Esker deposits, a large amount of ‘close-to-market’ aggregate (said to be about 70 million tons) was abandoned when the ‘market’ (i.e. subdivisions, etc.) either got too close, or it proved more profitable to sell out to developers.
5) the prohibition on questioning the ‘need’ for aggregates needs to be removed from the ARA. I refer you to Dr. Larry Jensen’s knowledgeable and thorough submission in which he states: “at the consumption rate of only 170 million tonnes per year, it requires ...132.5 years ... to deplete current aggregate reserves recorded in 2010. This does not include the recent 200 licenses and permits since 2010.” He also suggests that the SAROS report may be misleading
in its calculations. Is it any wonder that the aggregate industry wishes to avoid the question of need?

Several times during your hearings, when discussing the tonnage fee levied on operators, committee members have asked: “How high do you think the fee should be?” The simple answer is – high enough to cover the costs of ALL negative externalities. Implementation of FCA will provide that number. It needs to be more than enough to cover what Caledon’s Mayor Morrison referred to as “Full Cost Recovery”. This must prevail not just for municipal infrastructure costs but also for all affected circumstances.

We cannot continue to delude ourselves with a low-cost-aggregate myth. Only by identifying and including ALL hidden costs in our calculations will we discover the TRUE cost of aggregates. Then we can make far better informed decisions regarding resource usage, conservation, substitution, sourcing, transport, etc.

You have heard some suggest that the absence of suitable infrastructure is an impediment to alternatives. This is not the case if you can get your mind around the idea that every problem is an opportunity. Indeed, not so long ago we were looking for ‘shovel-ready’ projects. There are many communities that may welcome such employment opportunities and on-going economic activity.

Your committee can play a leadership role and go a long way to set a suitable framework for the future of aggregates in Ontario. Please move the ARA out of the Stone Age.

Yours sincerely,

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