

## **The choice in Durham Region is rubbish**

JOHN BARBER

jbarber@globeandmail.com

May 23, 2008

As everybody knows, Toronto just spent \$220-million to buy a landfill in Southwestern Ontario to dispose of the better part of a million tonnes of garbage a year. The deal pegged the city's total disposal costs at about \$70 a tonne from 2010 until 2034.

To finance the acquisition, Toronto is using a conventional 20-year debenture. But profits made from landfilling other people's garbage will pay for the purchase long before that, according to city treasurer Joseph Pennachetti.

Meanwhile Durham Region, just east of town, is planning to spend almost as much - \$200-million at minimum - to dispose of one-tenth the amount of garbage in a new incinerator. Conventionally financed with a debenture, the deal would peg the region's total disposal costs at more than \$250 a tonne until 2031.

Yesterday, a key Durham committee voted to accept the business case supporting the incinerator as the most "prudent" way to dispose of its waste for the next two generations. If regional council follows suit, its far-sighted members will prudently condemn their grandchildren to paying three times as much to dispose of their garbage as their neighbours do - using a technology that was unforgivably primitive even in 2008.

Their efforts to reduce the amount of garbage they produce or to find new ways to handle it will do little to reduce the burden: The long-term contract recommended in the Durham business case will by necessity include an obligation for the grandchildren to continue paying top dollar regardless of whether or not they are able to supply garbage to the machine. It's called put-or-pay - a standard clause in any incinerator contract.

Prepared by Deloitte, a consulting firm that also acts as the region's auditor, the business case makes sense on its own tragically limited terms - and to the extent that anybody can predict the price of oil in 2037 to the second decimal.

To understand it, imagine you're a working mom looking for a functional family car. You like the Malibu, but the salesman assures you the Corvette, at three times the price, is a much better buy.

He's not necessarily lying. Given enough supple talk about discount factors and net present value, the case can be made - albeit more easily for the sports car than the burner, which Deloitte pretends will boast a residual value of \$80-million long after it becomes obsolete.

But if it is "prudent" for mom to buy the Vette, then ignorance is strength and war is peace.

Let's say she wanted a house instead. Mortgage interest rates, like tipping fees, are notably low despite market jitters. Would it be prudent to sign a mortgage that required her and her descendants to pay a sharply premium rate for a term of not five but 30 years?

It might, if she was as long-lived as a government and surrounded by slick purveyors of ingenious instruments, especially if they encouraged her to make a fetish of long-term security and induced her to believe that no more houses would ever be built within 200 kilometres of her hometown.

Savvier investors would notice that the so-called garbage crisis - the essential pretext underlying the case for incineration - has done nothing to elevate notably low tipping fees.

Amid a flood of new policies and technologies that promise virtually to eliminate the need for conventional disposal, they would keep their options open.

It's true that Durham can afford to lock into a ruinous deal for generations. It can even make it seem more affordable by devoting its entire present and future remit of federal gas-tax grants to the incinerator. Not only will the grandchildren be stuck paying for a hideous, polluting relic on the shores of their lake, they will pay through the absence of the public transit that everybody else will have built by then.

Never was prudence more perverse.