

Oregon Bottle Bill Task Force¹

Minority Report

Senate Bill 707 charged the Task Force to “study and make recommendations on beverage container collection and refund matters...” In the Task Force meetings, it was apparent that the focus of the group was being directed at increasing the scope and cost of the state’s deposit system without an assessment of the impacts of doing so or the existence of alternative policies and programs that might achieve better environmental results.

The signatories to the Minority Report believe that the Draft Task Force Report (dated 10-13-08) contains recommendations that are not supported by analysis and do not address more important issues facing the deposit system in the short run. We believe that the Task Force and the Oregon Legislature should focus instead on the successful implementation of Senate Bill 707, to avoid potential high compliance costs and inconvenience to consumers and businesses. After implementation, the state should assess the role of the container deposit system in the context of the broader waste recovery and prevention system in which Oregon governments, businesses, and taxpayers have already invested.

Summary of Minority Report Findings and Recommendations

1. Expansion of the bottle bill to bottled water poses challenges to the viability of the existing deposit system. The State’s policy priority over the next several years should be the successful implementation of this potentially disruptive change to the bottle bill.
2. The proposed Oregon Beverage Recycling Cooperative (OBRC) was the one initiative presented to the Task Force that could help with implementation. We endorse the further development of that private sector approach.
3. It is premature to call for more dramatic changes to the deposit law – expanding its scope to additional beverages, increasing the deposit value, or adopting a redemption center-based system. Neither an environmental or economic case has been made for these.
4. Oregon’s bottle bill is only one component of the state’s current material recovery and reuse strategy. The bottle bill should be constantly evaluated in light of more efficient recycling systems that exist and the impact the bottle bill has on these systems.

1. Expansion Challenges

Senate Bill 707 mandates the most dramatic changes to Oregon’s deposit law since its enactment. The most profound change results from the expansion of the deposit to bottled water containers, but the law also requires that larger retailers take back all types of deposit containers, not just the types of containers they sell.

¹ Representing the views of Task Force members Steve Emery, Dan Floyd, Eric Forrest.

We believe the Task Force was remiss in not devoting greater effort to evaluating the impact of these changes. Had it done so, we believe that its recommendations would focus more strongly on short-term implementation issues. It is important that the implementation of SB 707 minimizes disruption to Oregon consumers and businesses, but the Task Force has not addressed this.

The potential issues raised by expansion vastly complicate the initiation of deposits, collection of empties, and the financial integrity of the entire system. The root of these complications lies in the different distribution system used for bottled water and most other noncarbonated beverages. Distributors that sell products within exclusive franchise territories operate Oregon's current bottle bill. In contrast, distributors without exclusive franchises sell most bottled water containers. These water bottles enter Oregon through many overlapping channels and often after passing through several different intermediaries between the manufacturer and the retailer. The same is true of most other noncarbonated beverages like juices, teas, and sports drinks. Because of the different distribution system: deposits will not be properly initiated on every bottle of water, responsibility for collecting these empty containers and reimbursing retailers for refunds is unclear, and sorting and handling is much more complicated at the redemption location because many additional brands are added to the system.

Each of these issues has economic implications for consumers and businesses. Comments provided to the Task Force by the American Beverage Association outlined the results of a study in Connecticut that found that the recycling of water bottles under expansion would cost \$6,800 per ton of material, compared to about \$500 per ton for the current bottle bill and \$150 per ton for mixed recyclables at the curb. From a recycling perspective, the costs are even more dramatic considering that the additional recycling resulting from the expansion was projected to raise the state's overall recycling rate by only 0.06 percent (6/100 or 1 percent).

Failing to address these challenges created by expansion will lead to a bottle bill that works less well than in the past and is more costly and burdensome to consumers and businesses.

2. Proposed Recycling Cooperative

We strongly support establishment of the Oregon Beverage Recycling Cooperative (OBRC). This proposal alone identified obstacles to the efficient implementation of portions of SB 707 and recommended a privately-funded solution. While this approach in no way mitigates all of the implementation issues that arise from SB 707, it is a practical way of addressing issues surrounding the pickup, transportation, and processing of empty containers for manufacturers and distributors.

We recommend that state regulators and the Legislature support the establishment of the cooperative. This means leaving control of the redemption system in private sector hands and allowing OBRC and its members to fund the expenses of the program. OBRC provides a central clearinghouse for deposits for non-franchise brands, establishes statewide infrastructure for the pickup and processing for non-franchise brands, and permits reduced sorting and costs at redemption locations.

The establishment of the cooperative tracks similar developments in other deposit states, where cost pressures have resulted in voluntary initiatives to improve the efficiency of redemption

systems. OBRC is, however, entering uncharted waters in that no similar system includes all manufacturers and distributors of bottled water or any other non-exclusively-distributed product. The members of the cooperative face significant challenges in collecting accurate sales data for these brands. The complication of adding these types of beverages into the redemption system have left most bottled water and other noncarbonated beverage brands out of the commingling systems in Maine, so costs of redeeming and collecting these containers remains high. While the potential efficiencies from the cooperative are significant, the law still faces significant implementation challenges.

3. More Dramatic Changes to the Oregon Deposit Law Are Premature at Best

The Umbrella Recommendations call for further expansion of the scope of the deposit law, an increase in the deposit value, and adoption of a redemption center system for returns. The members of the minority believe that none of these recommendations is justified at this time and that they would have significant negative economic and environmental impacts on the state.

3.1 Further Expansion

Expanding the law further to include all non-dairy beverages in bottles and cans would dramatically increase the cost and inconvenience of the program and provide very little environmental benefit. Based on national data, bottled water accounts for about the same number of containers that would be included in recommended expansion. These juice, sports drink, wine, and liquor bottles would add disproportionately to system costs.

These containers tend to be larger, heavier, and more likely to be consumed at home, meaning they are more likely to already be recycled. Retailers would struggle with higher costs to sort and handle the broader range of material types, colors of glass, and weight and bulk of the containers themselves. Most of these containers could not be accommodated in reverse vending machines. Cost assumptions used to evaluate the viability of the current redemption system, OBRC, and even a proposed redemption center system would be invalid in the face of these new containers.

3.2 Deposit Increase

Doubling the deposit places a severe burden on consumers without evidence that the expense yields environmental benefits. California doubled its deposit value between 2003 and 2007 and its reported redemption rate (excluding containers recycled in curbside and dropoff programs) increased from 46 percent to 58 percent. Increasing the deposit would also create a significantly larger incentive for fraud, which adds to the cost burden borne by Oregon consumers. For both of these reasons, consumers elsewhere have objected to proposals to increase deposits.

3.3 Redemption Centers

The proposal to establish redemption centers is very complex and potentially costly to consumers and the environment. While the original proposal from CRINC and the grocers called for 90 centers to replace retail redemption sites in cities and towns, no consensus has emerged as to whether retailers would have to continue to accept containers for refund. We believe there are

several additional issues that argue that the time for a redemption center based system is not (and may never be) at hand.

High capital costs: A network of redemption centers will require significant capital investment for reverse vending machines, facilities, parking, and access. Acquiring high-traffic retail space will also be costly and a necessary component of the effort, because locating these centers in less accessible areas will mean a significant reduction in the return rate.

Cost controls: Cost control principles conflict with the objectives of those on the task force that demand ubiquitous access to redemption opportunities. Continuing retail redemption even after the establishment of redemption centers will drive costs higher. The efficiencies of a redemption system will suffer significantly if it competes with retail redemption. Further expansion of the law would raise costs even more for all participants.

Lower Redemption Rates: States with redemption-center based systems have similar or lower return rates than Oregon. California has virtually no retail redemption (nor did it ever) and it has the lowest redemption rate of any deposit state in the US. No deposit state has ever made a direct switch from a retail-based to a redemption-center-based return system. Where redemption centers have multiplied (Maine and Vermont), centers function as retail and redemption sites.

Environmental Impact: Consumer travel to new redemption centers will increase the amount of time and fuel expended in the name of recycling. A Vermont study recently estimated that Vermonters drive an incremental 7.6 million miles annually to redeem containers. Oregon must evaluate the environmental implications of a shift to redemption centers and weigh the emissions and reduced return rates against the cost savings.

4. The Role of the Bottle Bill

The bottle bill is a single component of the state's material recovery program, focused on a narrow part of the waste stream, that mimics a 100-year-old bottle delivery and return system. Oregon's recycling and political leaders should not unquestioningly assume that building on the platform of the deposit law is always the right way to improve container recycling. We must take a broader view of more sustainable programs for materials reuse and recovery.

Much of the discussion surrounding the task force's work has been around how to manage the inherent high costs and operational challenges of making the bottle bill fit current products and consumption patterns. We encourage the legislature to evaluate changes to the bottle bill not only in the context of how change would affect bottle bill stakeholders, but how change affects the entire waste recovery system. Alternatives to the deposit system should be considered along with the steady stream of proposals to expand it, in order to ensure that Oregonians have access to the most efficient and sustainable systems for recovering material and reducing their environmental impact.

Dramatic innovations in recycling continue to improve the effectiveness, efficiency, and sustainability of recycling programs. Single stream collection continues to expand throughout the country, offering significant collection cost savings and, when coupled with use of larger carts for recyclables and same-day collection, significant increases in recycling tonnages not just of beverage containers, but of all materials. Critiques of single stream by those that fail to invest

in proper sorting technology for their MRFs do not detract from the obvious benefits these programs offer.

Economic incentives are also vital for enhancing these collection programs. While the tried-and-true approach of variable rates for trash (pay as you throw) remains the single best policy to improve waste diversion, the latest innovation to reward recyclers financially is RecycleBank – a Philadelphia company that is expanding its reach around the country. RecycleBank’s system rewards consumers for recycling based on the total amount of material they recycle each week, issuing awards funded by local and national sponsors of the program. These sponsors provide discount coupons for groceries, local services, coffee shops, and other items – issued through a website or 800 number and redeemable at many local businesses. The impact of RecycleBank’s incentives on top of single stream collection has provided substantial boosts to communities with poor recycling rates and to those that already had strong programs.

Leveraging the existing collection and processing infrastructure is a far more cost-effective path for Oregon to pursue, especially in contrast to the adverse energy and environmental impacts of building an even bigger and less efficient bottle bill system as recommended by the Task Force Draft Report. Adopting innovative and sustainable approaches to increasing all recycling offers a better path forward than tying up more time and money in the bottle bill.