BOTTLE BILL TASK FORCE
FINAL REPORT

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BOTTLE BILL TASK FORCE MEMBERSHIP

Senator Mark Hass has served in the Oregon legislature since 2001. He represents Senate District 14, the Beaverton and SW Portland areas. In addition to his Senate duties, he currently works as a brand strategist for Cappelli Miles [spring]. He and his wife Tamra have two children and live in Raleigh Hills.

Representative Ben Cannon was elected to the Oregon House in November 2006 and was sworn in as its youngest member in January 2007. He represents District 46, which covers parts of SE and NE Portland, including the landmark neighborhoods of Mt. Tabor, Montavilla, Laurelhurst, Lents, and Foster-Powell. He serves on the House Committees on Health Care and Energy & the Environment, the Global Warming Commission, and the Bottle Bill Task Force. In addition to his work as a legislator, he teaches Humanities to 6-8th graders at the Arbor School of Arts and Sciences, an elementary school in Tualatin. Ben has been active with the City Club of Portland and currently serves as the co-chair of the Oregon Bus Project's Board of Directors.

Steve Apotheker has spent 30 years in the recycling industry. The last 10 years were at Metro as a senior recycling planner evaluating the progress of our regional recycling programs. He has also been involved with the agency's internal sustainability efforts. Previously he was technical editor for Resource Recycling magazine, where he specialized in new markets and all aspects of container recycling. He got into recycling in 1978 when he helped to start Community Recycling Center, a non-profit recycling operation in Champaign, Illinois.

Steve Emery is the President and Chief Executive Officer of EARTH$_2$O, a privately owned company that bottles natural spring water in Culver, Oregon. EARTH$_2$O is the top retail selling spring water in the Pacific Northwest and the third largest selling branded water. Formerly, Steve was the Vice President/General Manager for Columbia Distributing in Portland from 1994 to 1998. He has over 11 years of experience working in regional and international sales and marketing for wine distributors.

Steve served as the past Chairman of the Governor's Small Business Council and acted as the director of two non-profit organizations: Oregon Trout and the National Spring Water Association. He currently serves as a Technical Advisor for the Oregon Innovation Council. He was appointed by the Governor to oversee the Oregon Nanotechnology and Microtechnology budget converting University research into commerce.

Dan Floyd is the Director of Public Affairs and Government Relations for Safeway's Portland Division. The Division employees nearly 12,000 employees and includes 117 stores in Oregon and SW Washington. Prior to his career at Safeway, Dan was employed by the Northwest Grocery Association, and served as their V.P. of Political Affairs until July of 2007. Dan was born and raised in Southeast Portland and is a proud alum of Portland Public Schools, Central Catholic High School, and Lewis & Clark College.

Eric Forrest is Co-President of MLF Group LLC and President of Pepsi Cola Bottling Co of Roseburg. Eric also was past President of the Oregon Soft Drink Association. Community involvement includes being a Eugene School District 4J Board Member and Chair –elect of the Eugene Area Chamber of Commerce.

Suzanne Johannsen was born in Amherst, Ohio; served in the U.S. Navy 1975-1977; received her Bachelor's Degree in Business from University of Cincinnati 1982. She worked for the National Park Service for 6 years after college, including 4 summers at Crater Lake - where she met my husband Greg. She has two children; Katie and Christopher. She moved to Bend from Redwood National Park in 1987 to become the Executive Director of The Recycling Team and she has been a member of the Bend City Council for 6 years and she has served on the Bend Metro Parks & Recreation Board for 4 years. Currently a Financial Advisor with Ameriprise Financial.

John Kopetski serves as the Bottle Bill Task Force Chair and has been a financial advisor in Pendleton for 20 years. He is the former Chairman of the Oregon Government Standards and Practices Commission and has served on the Board of Directors for the Blue Mountain Community College for 16 years.

Jerry Powell is the editor and publisher of *Resource Recycling*, a trade magazine. In addition, he publishes *E-Scrap News* and *Plastics Recycling Update*. His company sponsors major annual conferences in electronics and plastics recycling. He has been active in the Oregon recycling industry for the past 39 years, including being a three-time chair of the Association of Oregon Recyclers.

Technical Staff to the Task Force:

Peter Spendelow has been a recycling specialist and solid waste policy analyst for the Oregon Department of Environmental Quality (DEQ) since 1985. Peter is responsible for collecting and analyzing data on solid waste disposal and recycling, including conducting of Oregon waste composition studies and providing advice and evaluation of Oregon's recycling and waste prevention programs, including the Bottle Bill."

EXECUTIVE SUMMARY

In 2007 the 74th Legislative Assembly enacted Senate Bill 707 to expand the Oregon Bottle Bill by adding a five-cent beverage container deposit to water and flavored water beverage containers. In addition, the bill defines water and flavored water; and creates a nine-member Bottle Bill Task Force (BBTF).

Senate Bill 707 specifies the task force objectives as follows:

To study and make recommendations on beverage container collection and refund matters, including but not limited to:

(a) Establishing and paying for redemption centers to redeem beverage containers;
(b) Expanding the list of beverages to be included in the definition of "beverage" in ORS 459A.700;
(c) Increasing the refund value to be paid when redeeming beverage containers;
(d) Limiting the redemption of beverage containers that are purchased out of state; and
(e) Collecting and utilizing the refund value of unredeemed beverage containers.

Senate Bill 707 also directs the task force to prepare a report to be submitted to the interim legislative committees on environment and natural resources by November 1, 2008.

The BBTF is presenting the following recommendations for consideration by the 75th Legislative Assembly. Please note that after each recommendation (in parentheses) is the final BBTF vote acknowledging that not all of the recommendations were unanimously supported by all of the task force members.

Recommendation 1: Establishing and paying for redemption centers to redeem beverage containers
The BBTF recommends that the 75th Legislative Assembly support the industry proposal to run a statewide system of redemption centers. If the industry proposal is not implemented, a path to a state-run redemption center system should be included. **(vote: 9 Ayes)**
Redemption Center System

- Industry-run state-wide system of redemption centers
- 90 centers
- Operated by new beverage recycling co-op
- Financed by unredeemed container deposits and other industry financing
- Minimum standards set by Oregon Liquor Control Commission (OLCC)
- Large dealers (large retail stores) are allowed to opt out of the redemption system when a convenience zone is established.
- Public paid money when returning containers to a redemption center

Recommendation 2: Expanding the list of beverages to be included in the definition of "beverage" in ORS 459A.700
The BBTF recommends that the 75th Legislative Assembly support the proposal that a comprehensive expansion of the list of beverages, to include sports drinks, coffees, teas, juices, wines, liquors and other beverages; excluding milk or milk substitutes should occur with a January 1, 2013 effective date. **(vote: 5 Ayes; 4 Nays - Hass, Emery, Floyd, Forrest-0)**

Recommendation 3: Increasing the refund value to be paid when redeeming beverage containers –
The BBTF recommends that the 75th Legislative Assembly support the proposal that the refund value of beverage containers be increased to 10 cents with a January 1, 2011 effective date. **(vote: 6 Ayes; 3 Nays – Emery, Floyd, Forrest)**

Recommendation 4: Limiting the redemption of beverage containers that are purchased out of state

The BBTF recommends that the 75th Legislative Assembly support the findings and recommendations of Deposit-Fraud Subcommittee, concluding that the deposit fraud issue can be addressed internally by the beverage industry once the industry redemption center model is implemented. **(unanimous support of members present- Excused -Emery, Johannsen)**

Recommendation 5: Collecting and utilizing the refund value of unredeemed beverage containers

The BBTF recommends that the 75th Legislative Assembly support the proposal that the unredeemed deposits should be collected by the state **ONLY** if the industry run redemption center system is not successful and a state-run system is implemented. **(unanimous support of members present - Excused - Emery, Johannsen)**

ADDITIONAL RECOMMENDATIONS

Government Role

The BBTF identified the need to have government participation as these efforts move forward. Two state agencies are identified: the OLCC, which is the agency responsible for administering and enforcing the Bottle Bill (ORS 459A.700); and DEQ, which is responsible for recycling and waste reduction. Building on the existing authority of the OLCC, the BBTF recommends that the 75th Legislative Assembly support the proposal that the duties and responsibilities of the OLCC be expanded, as needed, to include:

- Approval of or changes in redemption centers;
- Redemption center and dealer standards and oversight that include but not limited to convenience, cleanliness, hours, and staffing **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen)**
- OLCC keeps enough unredeemed deposits on liquor containers to pay for publicity, complaint response, and government responsibilities **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused - Emery, Johannsen)**;
- An oversight advisory committee be created to provide advice to the Legislature, OLCC and DEQ **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen)**;
- DEQ would be responsible for beverage container data and reports.

Recovery Goal

The BBTF recommends that the 75th Legislative Assembly support the proposed goal of an 80 percent return rate under the proposed system. The return rate would be determined by the total containers redeemed divided by the total containers sold. **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused - Emery, Floyd)**

The BBTF recommends that the 75th Legislative Assembly support that the industry and DEQ report to 2017 Legislative Assembly on the progress toward the 80 percent beverage container return rate and on the waste composition data. **(vote: 7 Ayes; 2 Excused- Emery, Floyd)**

The BBTF further recommends that the 75th Legislative Assembly explore tax incentives or other forms of enticements to encourage advanced “single-stream” recycling methods in Oregon and that similar incentives be extended in rural Oregon to increase recycling rates. **(vote: 5 Ayes; 2 Nays – Apotheker, Powell, 2 Excused- Emery, Johannsen)**

Miscellaneous

As noted earlier, these recommendations are interrelated. Consequently, the BBTF recommends that the 75th Legislative Assembly adopt the Bottle Bill Task Force Recommendations as a comprehensive package to be considered by the 2009 Legislature.**(vote: 5 Ayes; 2 Nays – Hass, Forrest; 2 Excused –**

Emery, Floyd)

BACKGROUND

In 1971, Oregon enacted the first bottle bill in the nation. The original purpose of the Bottle Bill was to control the growing litter problem that was occurring throughout the state; it did not become a tool for recycling until later. Under the current system, a five-cent deposit per beverage container is assessed on beer, malt beverages and carbonated beverage containers.

While the law has worked well, it has not kept pace with changes in the beverage industry and the economy. Return rates remain high; however they have dropped from where they were a decade ago. New beverage containers have entered the market that are single-serve and carry no refund value (teas, juices, waters, coffee, etc); these containers are more likely to be littered or thrown away. In addition, inflation has reduced the real value of the five-cent deposit making it less of an incentive to reduce littering and waste.

LEGISLATIVE RESPONSE

In 2007 the 74th Legislative Assembly enacted Senate Bill 707 to expand the Oregon Bottle Bill by adding a five-cent beverage container deposit to water and flavored water beverage containers. In addition, the bill defines water and flavored water; and creates a nine-member Bottle Bill Task Force (BBTF).

Senate Bill 707 directs the Senate President to appoint one Senator, the Speaker of the House to appoint one Representative and the Governor to appoint the remaining seven members of the task force and to designate the task force chairperson. Furthermore, the legislation specifies the task force objectives as follows:

> To study and make recommendations on beverage container collection and refund matters, including but not limited to:
> (f) Establishing and paying for redemption centers to redeem beverage containers;
> (g) Expanding the list of beverages to be included in the definition of “beverage” in ORS 459A.700;
> (h) Increasing the refund value to be paid when redeeming beverage containers;
> (i) Limiting the redemption of beverage containers that are purchased out of state; and
> (j) Collecting and utilizing the refund value of unredeemed beverage containers.[1]

Senate Bill 707 also directs the task force to prepare a report to be submitted to the interim legislative committees on environment and natural resources by November 1, 2008.

TASK FORCE ACTIVITIES

Under the guidance of Chair John Kopetski, the task force held 10 meetings beginning in November 2007 through October 2008. During the task force meetings, members received detailed information on:

- Oregon’s Bottle Bill and the 2007 expanded components
- Redemption center models
- Other states/provinces refund values and impacts
- Redemption vs. recycling
- Other recovery efforts/options (curbside collection)
- Current conditions of return-to-retail spaces
- Expansion of the beverage container list

[1] Senate Bill 707 (Appendix A)

- Redemption of out-of-state beverage containers
- Unredeemed deposits
- Oregon Liquor Control Commission’s current and proposed role

Additionally, Chair Kopetski appointed three subcommittees: Redemption Program Financing; Deposit-Fraud; and Redemption-Recycling Rates and Goals.

ISSUES & FINDINGS

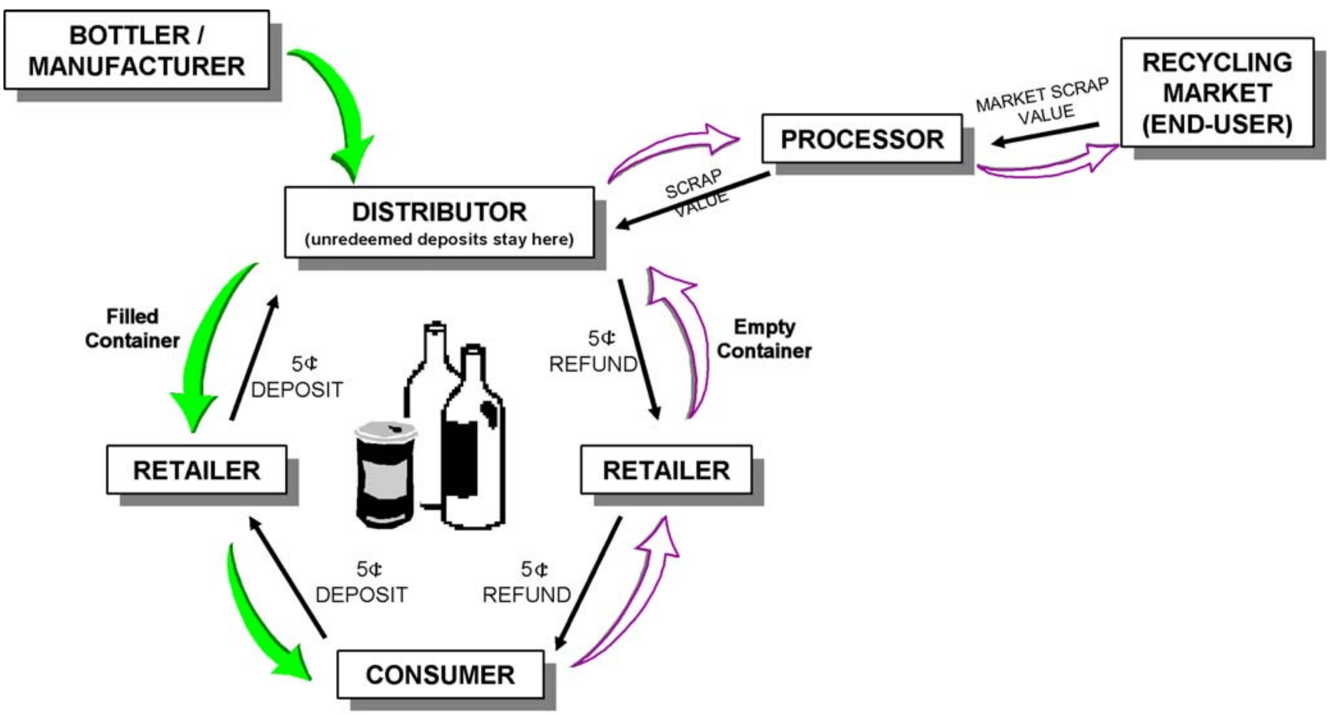
During the course of its discussions and deliberations, and adhering to Senate Bill 707 directives, the BBTF highlighted the following areas of concern:

1. *Oregon's current return-to-retail system of processing beverage containers is working, but it will become more difficult for retailers to handle the increased volume of containers once water and other beverage containers enter the system. Additionally, the redemption rate is decreasing and the public is becoming increasing dissatisfied with problems that exist with the current system.*
2. *If Oregon moves toward redemption center model, what type of system will be developed? Public or private operated? How will the system be funded? How and who will have oversight authority?*
3. *With the rapid and continuing increase in the number and type of beverage containers, the list of containers subject to the deposit could be expanded; however there is concern about the system's ability to handle the rapid increase and what would the list be expanded to include?*
4. *The current refund value of five-cents does not provide the same incentive as it did in 1971.*
5. *Based on the refund value (whether it remains five-cent or is increased), communities that border states without a refund/redemption system will be faced with increased instances of redeeming out-of-state containers (aka redemption fraud)*

Return-to-Retail versus Redemption Centers

Return-to-Retail

Oregon's current redemption system is a return-to-retail model, which works as follows:



With this system, the distributors address the transporting and processing systems/facilities to handle the returned containers. The processing facilities handle aluminum, PET (polyethelene terephthalate), and glass containers. The retailers address the counting and sorting of returned containers by distributor groups and the storing of the containers.

As the original bottle bill unfolded, some beverage distributors formed joint ventures to make collection from stores and processing more efficient. Container Recovery, Inc., (CRinc) and Beverage Recyclers of Oregon (BROCO) are examples of these ventures. These ventures:

- Provide deposit beverage container services;
- Provide service to ‘non-franchise’ participants such as Shasta, Safeway, Hansen’s and Albertsons;
- Process up to 3 million containers a day;
- Provide each retail customer with payment for their containers; and
- Use automated counting devices and technologies that process aluminum, PET, and glass containers.

Additionally, CRinc:

- Picks up and processes approximately 50% of the state’s total container volume;
- Is the primary provider of reverse vending machines (RVMs) and UPC technologies throughout Oregon;
- Makes approximately 36,000 stops per year to pickup containers;
- Services over 1,100 retailers; and
- Maintains 137 locations in Portland and 145 locations outside Portland area.[2]

Redemption Centers

Currently, any person may establish a redemption center in Oregon (ORS 459A.735), upon the approval of the Oregon Liquor Control Commission (OLCC). However, it was noted that since there is no dedicated funding stream to support redemption centers, the OLCC stated that there has been very little interest in utilizing the existing law.

To fully understand the significance of redemption centers, the BBTF began its discussion with an overview of several current deposit/return/redemption models. Components of the models include funding mechanisms, how redemptions centers are sited, the various levels of deposits (5-25 cents), handling fees, oversight responsibility, recovery rates, and consumer participation and support.

Eleven U.S. states and most Canadian provinces have some sort of deposit/return system. Oregon and Michigan have adopted the return-to-retail model, Alberta and Hawaii use redemption centers and other states/provinces have chosen a combination of redemption centers and retail.

After carefully reviewing the information, and to further advance the discussions, the BBTF put forth a request to the industry, public/private and public entities to develop and submit redemption center proposals for the task force to consider. John Andersen, Vice-President of Operations, CRinc., presented the industry’s proposal. The following are key components:

- Build on the success of the original bottle bill;
- Willingness and ability of industry to be creative, within the framework of existing legislation;
- Establish statewide beverage recycling cooperative (membership, processing facilities, and financing);
- Industry-run redemption centers (number, locations, and financing); and
- Begin ‘Beta’ testing industry-run redemption centers.[3]

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[2] *Container Recovery, Inc. (CRinc.) & the Oregon Bottle Bill*, John Andersen, CRinc., PowerPoint presentation 11/09/07 (Appendix B)

[3] *Industry Approach to Redemption Centers*, John Anderson, CRinc., 5/13/08 (Appendix C)

Scott Klag, Association of Oregon Recyclers, proposed the following system:

- Modernize the industry-run system to increase accountability so that Oregon can reach and sustain recovery rates, and to ensure that the flow of funds be transparent (how redemption centers are financed and unredeemed deposits are used).
- Develop a statutory framework that:
    - Expands the beverage container list;
    - Establishes a recovery rate (key tool would be to increase the refund value if the recovery rate is not being achieved);
    - Establishes standards for redemption centers; ensures convenience for Oregonians;
    - Addresses sustainability.[4]

Peter Spendelow, Oregon Department of Environmental Quality (DEQ), presented the proposal for a state-managed system (Appendix E). The following are key features:

Deposit Value

- 5 cents for containers less than 24 oz., and 10 cents for containers greater that 24 oz.
- Distributors would collect the deposit on containers that are sold to retailers, and pass the funds on to the state;
- Retailers would collect the deposit from customer

Return Options

- Customer return empty beverage containers to redemption center or to most retailers
- Retailers may limit the number of containers returned by customers
- Exempt small retailers from receiving containers

Handling Fees

- Redemption centers and retailers would receive different handling fees based on the services provided
- Redemption centers that do not sell beverages would receive a full handling fee
- Retailers and redemption centers that sell beverages and accept unlimited number of containers would receive a discounted handling fee
- Dealers that accepted a limited number of containers (to the lower limit) would not receive a handling fee
- A per-container handling fee for redemption centers would be set by the state for each class of containers based on studies of the average costs to redemption centers of handling the different classes of containers, and allowing for a reasonable profit margin. The registered recyclers would pay these handling fees to the redemption centers and dealers, and would in turn be reimbursed by the state.

Classes of Containers

- The state would designate different classes of containers based on material separation

State Reimbursement of Recyclers

- Recyclers would submit reports to the state showing the number of containers collected and the amount paid in deposit refunds and handling fees
- The state would reimburse these costs

Container Class Fee

- Fee set by the state to cover the net cost of collecting and recycling each class of container

Location of Redemption Centers

- Any company interested in establishing a redemption center could do so, provided they can make arrangements with a registered recycler to accept the containers
- The state would conduct a feasibility study to determine the size and locations of "Market Zones," which would be areas of sufficient size and beverage return potential to support a center

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[4] *Association of Oregon Recyclers Redemption Center Approach*, Scott Klag, Association of Oregon Recyclers, 5/13/08 (Appendix D)

- If the market zone is not adequate for a redemption center, the state would have the option to use grants or other incentives to establish redemption centers in undeserved areas
- If rural retailers or redemption centers are having difficulty in obtaining collection service from a recycler, the state would contract with a private company to provide that service

Phase-in Period

- Retailers would be required to accept containers until such time that a redemption center opens for business in a market zone
- Once the redemption center opened for business, retailers would have the option of accepting to a more limited quantity of containers for redemption

Redemption Center Standards

- Main standards for redemption centers would be recordkeeping requirements and other requirements designed to minimize and potentially prosecute fraudulent container returns
- Additional standards would include days and hours of operation for redemption center services[5]

Oregon Liquor Control Commission (OLCC) Role and Responsibilities

The BBTF asked the OLCC to provide information on the following:

- Current OLCC authority as it relates to the Bottle Bill;
- Current OLCC inspection of liquor retail stores;
- Position on including wine and distilled spirit bottles in the list of beverages;
- Definition of “convenience zone”;
- Current resources and funding for bottle bill activities; and
- Current demands on OLCC with SB 707 implementation.

The BBTF acknowledged that as the Bottle Bill continues to expand, and OLCC becomes more involved, both as the enforcement agent and as liquor stores may become part of the redemption center system, the Commission indicated they will need additional resources to effectively accomplish these duties.

Redemption Program Financing Subcommittee

The financing methods employed in expanded bottle bill systems vary between those where the money flows are apparent (such as the California system), to those where a broad, nonprofit industry organization is charged with managing and financing the redemption system, and the financial data is kept internal (such as numerous Canadian provinces).

To guide the BBTF financing redemption center system discussion, Chair Kopetski assigned Kelly Griffith, Jerry Powell, and Suzanne Johannsen to review and develop redemption center financing options. At the March 4, 2008 meeting, the subcommittee presented the following options:

- Create handling fees (various approaches);
- Utilize unredeemed deposits;
- Establish services fees;
- Registration fees, processing fees, container recycling fees; and/or
- Redemption center development fees and material sales.[6]

[5] *Proposed Bottle Bill System Managed by the State*, Peter Spendelow, DEQ, 5/13/08 (Appendix E)
[6] *Redemption Program Financing Options*, Financing Subcommittee, BBTF, 3/4/08 (Appendix F)

Redemption Center Standards

One component of a redemption center system that the BBTF discussed is the development of redemption center standards. Areas of focus included hours of operation, ease to consumers, recovery/recycling rates, use of reverse vending machines (RVMs), relief to retailers, size requirements, equipment requirements, cleanliness, hygiene, and public health requirements, standards for fraud protection, and that redemption centers be required to take back all types and brands of containers that have a refund value.

The BBTF discussion also noted that the type of standards developed may depend strongly on the system used to establish a redemption center system. In an unregulated system, where anyone can establish a redemption center and centers are in direct competition with each other, adoption of redemption center requirements and standards may not be necessary. If a redemption center is not meeting the needs of the population it is serving, another operator could come in and establish a new center based on market need. However, the discussion also noted that if standards are too restrictive, they might inhibit innovation and development of better, cheaper and more effective ways of handling containers.

Expanding the List of Beverages to be Included in the Bottle Bill

Effective January 1, 2009, Oregon's Bottle Bill expands the five-cent beverage container deposit to include water and flavored water beverage containers. Oregon's current return-to-retail system is operated by distributors that sell products within exclusive franchise territories (Coke, Pepsi, Coors, etc), most bottled waters and noncarbonated (juices, teas and sports drinks) beverages are sold by distributors without exclusive franchises, thus creating a separate category and changing the Bottle Bill.[7] The BBTF recognizes that with the addition of the water and flavored water containers, it is uncertain how the current system will respond, in volume, in variety, and in the collection of refunds. DEQ stated that the addition of these containers would increase redeemed containers by 10 percent.

The BBTF examined expanding the beverage list to include sports drinks, coffees, teas, wines, liquors and other beverages, excluding mile or milk substitutes. During the discussions, data was presented that reflected the types, quantity and weight of containers disposed; the types, quantity and weight of containers recycled; and the types, quantity and weight of containers redeemed.[8] Using this 2005 data, DEQ presented the potential energy savings, litter control, market share, and recycling projections of an expanded list of beverages subject to the Bottle Bill.

At the request of the BBTF, the OLCC, the agency responsible for administering and enforcing the Bottle Bill, reviewed the types, colors, and sizes of wine and distilled spirit bottles that are distributed throughout Oregon. The commission noted that most of the state liquor stores are less than 5,000 square feet and container storage could be an issue for both the retail stores and businesses that serve distilled spirits and wine.

The industry requested that the BBTF allow time for the current system to absorb the water and flavored water products before considering a further expansion of the beverage list.

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[7], *Comments on Redemption Program Financing Options*, Kevin Dietly, American Beverage Association, 4/01/08 (Appendix G)

[8] *Expanding the List of Beverage Containers*, Peter Spendelow, DEQ, 4/01/08 (Appendix H)

Limiting Redemption of Out-of-State Beverage Containers

To review and develop recommendations on redemption fraud, Chair Kopetski appointed Steve Emery, Dan Floyd and Jerry Powell as subcommittee. At the October 3, 2008 meeting, the Deposit-Fraud Subcommittee submitted their report. The report highlights five issues:

- Technology fix – Oregon-only barcode is unlikely at this time, since Oregon is a small market in the beverage industry.
- Grocers' dilemma – Hayden Island Safeway and Interstate Avenue Fred Meyer in Portland have the worst problem with the redemption of Washington containers – grocers don't retain the deposit monies, therefore the cost of redemption fraud is absorbed by the beverage industry.
- Role of redemption centers – Should the redemption center system move forward the subcommittee agrees that redemption centers could refuse to handle large loads of redeemable containers delivered by Washington residents.
- Statutory fix – The subcommittee agrees that current statutory language is sufficient; enforcement is the issue and that does not require new or revised language.
- Relationship of fraud to deposit value – The subcommittee noted that if the deposit value is increased, the beverage industry would likely dedicate additional resources to the issue.[9]

Collecting and Utilizing Unredeemed Deposits

As noted earlier, under the current system, all unredeemed deposits stay with the distributors. DEQ estimates that 60 million beer and soft drink containers are recycled through curbside and other recycling programs without being redeemed for the five-cent deposit; 254 million containers are landfilled; and 1.163 billion are being redeemed, for the approximate total of $16 million per year of unredeemed deposits.

The BBTF acknowledged that if the industry-run redemption center model is adopted the unredeemed deposits would be a funding component for that system.

Redemption-Recycling Rates and Goals

The BBTF received data and information from DEQ, the Association of Oregon Recyclers and the industry on recycling and redemption rates. Areas of discussion included single-stream recycling, curbside pick-up systems, glass/paper contamination, rigid plastic, and others.

Several members of the BBTF noted that during the discussions different terms were being used to describe a desired outcome from the proposed system. Under the direction of Chair Kopetski, Suzanne Johannsen and Representative Ben Cannon were appointed to the Subcommittee on Redemption/Recycling Rates to develop a recommendation. At the August 18, 2008 meeting, the subcommittee presented the following:

- that the return rate would be determined by total containers redeemed divided by total containers sold;
- that the term "return rate" means the rate by which the success of the program would be measured; and
- the proposed goal for the "return rate" under the new system be 80 percent, no timeline was recommended. [10]

[9] *Deposit-Fraud Subcommittee Report*, Deposit-Fraud Subcommitee, BBTF, 10/3/08 (Appendix I)
[10] *Redemption/Recycling Rates Subcommittee Report*, Redemption/Recycling Rates Subcommittee, BBTF, 8/18/08 (Appendix J)

RECOMMENDATIONS

After reviewing the information and presentations, Chair Kopetski drafted a "Chair's Preliminary Proposal"[11] of recommendations. The BBTF discussed and deliberated on the preliminary recommendations and the following recommendations are being put forward for consideration by the 75th Legislative Assembly. Although the recommendations could be considered separately, they are interconnected. For example, the BBTF recommends the industry proposal to run a statewide system of redemption centers, be funded by unredeemed deposits, and the unredeemed deposit recommendation references the industry run redemption center model. Also, note that after each recommendation (in parentheses) is the final BBTF vote acknowledging that not all of the recommendations were unanimously supported by all of the members.

Recommendation 1:

Establishing and paying for redemption centers to redeem beverage containers – The BBTF recommends that the 75th Legislative Assembly support the industry proposal to run a statewide system of redemption centers. If the industry proposal is not implemented, a path to a state-run redemption center system should be included. **(vote: 9 Ayes)**

Redemption Center System

- Industry-run state-wide system of redemption centers
- 90 centers
- Operated by new beverage recycling co-op
- Financed by unredeemed container deposits and other industry financing
- Minimum standards set by Oregon Liquor Control Commission (OLCC)
- Large dealers (large retail stores) are allowed to opt out of the redemption system when a convenience zone is established.
- Public paid money when returning containers to a redemption center

While the recommendation specifies 90 centers, the BBTF recognizes that this number is not concrete. As the redemption center plan unfolds and begins implementation, the industry will be able to determine, with more detail, the exact amount of centers that Oregon needs.

Recommendation 2:

Expanding the list of beverages to be included in the definition of "beverage" in ORS 459A.700 - The BBTF recommends that the 75th Legislative Assembly support the proposal that a comprehensive expansion of the list of beverages, to include sports drinks, coffees, teas, juices, wines, liquors and other beverages, excluding milk or milk substitutes should occur with a January 1, 2013 effective date. **(vote: 5 Ayes; 4 Nays - Hass, Emery, Floyd, Forrest)**

The BBTF acknowledged that with water and flavored water beverage containers being added into the Bottle Bill on January 1, 2009, the impact to retailers and consumers is yet to be determined. However, the responsibility for container redemption should be shared between the industry and the consumers. Several members noted that many of the beverage containers to be added to the deposit system, such as sports drinks and juices, would likely have been included in the original deposit program, had they been in distribution at the time and sold at the high levels they are today.

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[11] *Chair's Preliminary Proposal*, John Kopetski, Chair, BBTF, 5/27/08 (Appendix K)

Recommendation 3:

Increasing the refund value to be paid when redeeming beverage containers – The BBTF recommends that the 75th Legislative Assembly support the proposal that the refund value of beverage containers be increased to 10 cents with a January 1, 2011 effective date. **(vote: 6 Ayes; 3 Nays – Emery, Floyd, Forrest)**

The Bottle Bill has been viewed primarily as a litter control measure. Following the implementation of the Bottle Bill, litter has been substantially reduced across Oregon. Additionally, the bill's effect on waste reduction and resource conservation has proven to be another notable feature. DEQ estimates that Oregonians purchased almost 2 billion beverage containers (deposit and non-deposit, not including paper containers) in 2005 and 20 percent were disposed of in landfills. DEQ also provided data stating that only one state, Michigan, has a deposit level of 10 cents, and that that state has the nation's highest redemption rate for beer and soft drink containers (greater than 90 percent).

Recommendation 4:

Limiting the redemption of beverage containers that are purchased out of state – The BBTF recommends that the 75th Legislative Assembly support the findings and recommendations of Deposit-Fraud Subcommittee, concluding that the deposit fraud issue can be addressed internally by the beverage industry once the industry redemption center model is implemented. **(unanimous support of members present- Excused -Emery, Johannsen)**

Across-border redemption fraud is a problem in other states, especially in Michigan, where Ohio and Indiana residents illegally redeem containers, and in New England, where New Hampshire does not have a deposit program but is surrounded by deposit-law states.

Recommendation 5:

Collecting and utilizing the refund value of unredeemed beverage containers – The BBTF recommends that the 75th Legislative Assembly support the proposal that the unredeemed deposits should be collected by the state **ONLY** if the industry run redemption center system is not successful and a state-run system is implemented. **(unanimous support of members present - Excused -Emery, Johannsen)**

DEQ estimates that 60 million beer and soft drink containers are recycled through curbside and other recycling programs without being redeemed for the five cent deposit. Currently, the unredeemed deposits are held by the beverage distributors. As previously noted under **Redemption Centers** (page 10), the unredeemed deposits would be applied to the implementation and operation of the newly developed industry run redemption center system.

ADDITIONAL RECOMMENDATIONS

As mentioned above, Senate Bill 707 identified five directives to be addressed by the BBTF. The measure also granted the BBTF latitude to develop additional recommendations. The following recommendations were developed to support and enhance the five recommendations.

Government Role

The BBTF identified the need to have government participation as these efforts move forward. Two state agencies are identified: the OLCC, which is the agency responsible for administering and enforcing the Bottle Bill (ORS 459A.700); and DEQ, which is responsible for recycling and waste reduction. Building on the existing authority of the OLCC, the BBTF recommends that the 75th Legislative Assembly support the proposal that the duties and responsibilities of the OLCC be expanded, as needed, to include:

- Approval of or changes in redemption centers;
- Redemption center and dealer standards and oversight that include but not limited to convenience, cleanliness, hours, and staffing **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen)**
- OLCC keeps enough unredeemed deposits on liquor containers to pay for publicity, complaint response, and government responsibilities **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen)**;
- An oversight advisory committee be created to provide advice to the Legislature, OLCC and DEQ **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Johannsen)**;
- DEQ would be responsible for beverage container data and reports.

Recovery Goal

Using the Subcommittee on Redemption/Recycling Rates report, the BBTF recommends that the 75th Legislative Assembly support the proposed goal of an 80 percent return rate under the proposed system. The return rate would be determined by the total containers redeemed divided by the total containers sold. **(vote: 5 Ayes; 2 Nays- Apotheker, Forrest; 2 Excused -Emery, Floyd)**

The BBTF recommends that the 75th Legislative Assembly support that the industry and DEQ report to 2017 Legislature on the progress toward the 80 percent beverage container return rate and on the waste composition data. **(vote: 7 Ayes; 2 Excused- Emery, Floyd)**

The BBTF further recommends that the 75th Legislative Assembly explore tax incentives or other forms of enticements to encourage advanced "single-stream" recycling methods in Oregon and that similar incentives be extended in rural Oregon to increase recycling rates. **(vote: 5 Ayes; 2 Nays – Apotheker, Powell, 2 Excused- Emery, Johannsen)**

Miscellaneous

As noted earlier, these recommendations are interrelated. Consequently, the BBTF recommends that the 75th Legislative Assembly adopt the Bottle Bill Task Force Recommendations as a comprehensive package to be considered by the 2009 Legislature. **(vote: 5 Ayes; 2 Nays – Hass, Forrest; 2 Excused – Emery, Floyd)**

CONCLUSION

The Bottle Bill Task Force has made twelve recommendations for the Legislative Assembly to consider. As noted in the report, the recommendations are interrelated, and the task force encourages the Legislature to consider them in a comprehensive approach, rather than as individual items.

On October 14, 2008, the BBTF met to approve the final report. At that time, a Minority Report was presented to the BBTF for consideration. The Minority Report is attached as a supplemental document in this report. The final vote on the report was **8 Ayes; 1 Nay (Johannsen).**

The Bottle Bill Task Force respectfully submits this report and looks forward to its evaluation and implementation.

Oregon Bottle Bill Task Force[1]
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.

Enrolled

Senate Bill 707

Sponsored by Senators VERGER, COURTNEY, AVAKIAN, Representatives BERGER, MERKLEY, DINGFELDER

CHAPTER ....

AN ACT

Relating to beverage containers; creating new provisions; amending ORS 459A.700, 459A.710, 459A.715 and 459A.735; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. ORS 459A.700 is amended to read:

459A.700. As used in ORS 459.992 (3) and (4) and 459A.700 to 459A.740, unless the context requires otherwise:

(1) "Beverage" means **water and flavored water,** beer or other malt beverages and mineral waters, soda water and similar carbonated soft drinks in liquid form and intended for human consumption.

(2)**(a)** "Beverage container" means [*the*] **an** individual, separate, sealed glass, metal or plastic [*bottle, can, jar, or carton*] **bottle or can** containing a beverage **in a quantity less than or equal to three fluid liters.**

(b) "Beverage container" does not include cartons, foil pouches and drink boxes.

(3) "Commission" means the Oregon Liquor Control Commission.

(4) "Consumer" means every person who purchases a beverage in a beverage container for use or consumption.

(5) "Dealer" means every person in this state who engages in the sale of beverages in beverage containers to a consumer, or means a redemption center certified under ORS 459A.735.

(6) "Distributor" means every person who engages in the sale of beverages in beverage containers to a dealer in this state including any manufacturer who engages in such sales.

(7) "Importer" means any dealer or manufacturer who directly imports beverage containers into this state.

[*(7)*] **(8)** "In this state" means within the exterior limits of the State of Oregon and includes all territory within these limits owned by or ceded to the United States of America.

[*(8)*] **(9)** "Manufacturer" means every person bottling, canning or otherwise filling beverage containers for sale to distributors, **importers** or dealers.

[*(9)*] **(10)** "Place of business of a dealer" means the location at which a dealer sells or offers for sale beverages in beverage containers to consumers.

[*(10)*] **(11)** "Use or consumption" includes the exercise of any right or power over a beverage incident to the ownership thereof, other than the sale or the keeping or retention of a beverage for the purposes of sale.

(12) "Water and flavored water" means any beverage identified through the use of letters, words or symbols on its product label as a type of water.

APPENDIX A

SECTION 2. ORS 459A.710 is amended to read:

459A.710. Except as provided in ORS 459A.715:

(1)**(a) Except as provided in paragraph (b) of this subsection,** a dealer [*shall*] **may** not refuse to accept from any person any empty beverage containers [*of*] **that contained** the kind[, *size and brand*] **of beverage** sold by the dealer, or refuse to pay to that person the refund value of a beverage container as established by ORS 459A.705.

(b) A dealer that occupies a space of less than 5,000 square feet in a single area may refuse to accept from any person any empty beverage containers of the kind, size and brand that the dealer does not sell.

(2) A distributor [*shall*] **or importer may** not refuse to accept from a dealer any empty beverage containers of the kind, size and brand sold by the distributor **or importer**, or refuse to pay the dealer the refund value of a beverage container as established by ORS 459A.705.

(3) The manufacturer, distributor or importer of any beverage sold in this state shall ensure that all dealers or redemption centers in this state that redeem beverage containers are paid the refund value for those beverage containers and that those beverage containers are collected from the dealer or redemption center in a timely manner.

SECTION 3. ORS 459A.715 is amended to read:

459A.715. (1) A dealer may refuse to accept from any person, and a distributor may refuse to accept from a dealer, any empty beverage container that does not state thereon a refund value as established by ORS 459A.705.

(2) A dealer may refuse to accept and to pay the refund value of:

(a) Empty beverage containers if the place of business of the dealer and the kind [*and brand*] of empty beverage containers are included in an order of the Oregon Liquor Control Commission approving a redemption center under ORS 459A.735.

(b) Any beverage container visibly containing or contaminated by a substance other than water, residue of the original contents or ordinary dust.

(c)**(A)** More than 144 individual beverage containers returned by any one person during one day**, if the dealer occupies a space of 5,000 or more square feet in a single area**.

(B) More than 50 individual beverage containers returned by any one person during one day, if the dealer occupies a space of less than 5,000 square feet in a single area.

(d) Any beverage container that is damaged to the extent that the brand appearing on the container cannot be identified.

(3)**(a)** In order to refuse containers under subsection (2)(b), (c)**(A)** or (d) of this section, **if a dealer occupies a space of 5,000 or more square feet in a single area,** the dealer must post in each area where containers are received a clearly visible and legible sign containing the following information:

NOTICE:

Oregon Law allows a dealer to refuse to accept:

1. Beverage containers visibly containing or contaminated by a substance other than water, residue of the original contents or ordinary dust;

2. More than 144 individual beverage containers from any one person during one day; or

3. Beverage containers that are damaged to the extent that the brand appearing on the container cannot be identified.

(b) In order to refuse containers under subsection (2)(b), (c)(B) or (d) of this section, if a dealer occupies a space of less than 5,000 square feet in a single area, the dealer must post in each area where containers are received a clearly visible and legible sign containing the following information:

NOTICE:

Oregon Law allows a dealer to refuse to accept:

1. Beverage containers visibly containing or contaminated by a substance other than water, residue of the original contents or ordinary dust;

2. More than 50 individual beverage containers from any one person during one day; or

3. Beverage containers that are damaged to the extent that the brand appearing on the container cannot be identified.

SECTION 4. ORS 459A.715, as amended by section 3 of this 2007 Act, is amended to read:

459A.715. (1) A dealer may refuse to accept from any person, and a distributor **or importer** may refuse to accept from a dealer, any empty beverage container that does not state thereon a refund value as established by ORS 459A.705.

(2) A dealer may refuse to accept and to pay the refund value of:

(a) Empty beverage containers if the place of business of the dealer and the kind of empty beverage containers are included in an order of the Oregon Liquor Control Commission approving a redemption center under ORS 459A.735.

(b) Any beverage container visibly containing or contaminated by a substance other than water, residue of the original contents or ordinary dust.

(c)(A) More than 144 individual beverage containers returned by any one person during one day, if the dealer occupies a space of 5,000 or more square feet in a single area.

(B) More than 50 individual beverage containers returned by any one person during one day, if the dealer occupies a space of less than 5,000 square feet in a single area.

(d) Any beverage container that is damaged to the extent that the brand appearing on the container cannot be identified.

(3)(a) In order to refuse containers under subsection (2)(b), (c)(A) or (d) of this section, if a dealer occupies a space of 5,000 or more square feet in a single area, the dealer must post in each area where containers are received a clearly visible and legible sign containing the following information:

NOTICE:

Oregon Law allows a dealer to refuse to accept:

1. Beverage containers visibly containing or contaminated by a substance other than water, residue of the original contents or ordinary dust;

2. More than 144 individual beverage containers from any one person during one day; or

3. Beverage containers that are damaged to the extent that the brand appearing on the container cannot be identified.

(b) In order to refuse containers under subsection (2)(b), (c)(B) or (d) of this section, if a dealer occupies a space of less than 5,000 square feet in a single area, the dealer must post in each area where containers are received a clearly visible and legible sign containing the following information:

NOTICE:

Oregon Law allows a dealer to refuse to accept:

1. Beverage containers visibly containing or contaminated by a substance other than water, residue of the original contents or ordinary dust;

2. More than 50 individual beverage containers from any one person during one day; or

3. Beverage containers that are damaged to the extent that the brand appearing on the container cannot be identified.

SECTION 5. ORS 459A.735 is amended to read:

459A.735. (1) To facilitate the return of empty beverage containers and to serve dealers of beverages, any person may establish a redemption center, subject to the approval of the Oregon Liquor Control Commission, at which any person may return empty beverage containers and receive payment of the refund value of such beverage containers.

(2) Application for approval of a redemption center shall be filed with the commission. The application shall state the name and address of the person responsible for the establishment and operation of the redemption center, the kind [*and brand names of the*] **of** beverage containers [*which*] **that** will be accepted at the redemption center and the names and addresses of the dealers to be served by the redemption center. The application shall include such additional information as the commission may require.

(3) The commission shall approve a redemption center if it finds the redemption center will provide a convenient service to persons for the return of empty beverage containers. The order of the commission approving a redemption center shall state the dealers to be served by the redemption center and the kind [*and brand names*] of empty beverage containers [*which*] **that** the redemption center must accept. The order may contain such other provisions to [*insure*] **ensure** the redemption center will provide a convenient service to the public as the commission may determine.

(4) The commission may review at any time approval of a redemption center. After written notice to the person responsible for the establishment and operation of the redemption center, and to the dealers served by the redemption center, the commission may, after hearing, withdraw approval of a redemption center if the commission finds there has not been compliance with its order approving the redemption center, or if the redemption center no longer provides a convenient service to the public.

SECTION 6. **Section 7 of this 2007 Act is added to and made a part of ORS 459A.700 to 459A.740.**

SECTION 7. **Any manufacturer, distributor or importer that fails to pay to a dealer or redemption center the refund value of beverage containers and to collect beverage containers as required by ORS 459A.710 (3) is liable to the dealer or redemption center for treble the unpaid refund value and treble the collection costs incurred by the dealer or redemption center for any beverage containers that were not collected as required.**

SECTION 8. **(1) There is created the Bottle Bill Task Force, consisting of nine members appointed as follows:**

(a) The President of the Senate shall appoint one member from among members of the Senate.

(b) The Speaker of the House of Representatives shall appoint one member from among members of the House of Representatives.

(c) The Governor shall appoint seven members based upon their ability to represent the best interests of Oregon as a whole. No more than three members of the task force appointed by the Governor may receive or have previously received a substantial portion of their own income or their family's income from the beverage container industry.

(2) The task force shall study and make recommendations on beverage container collection and refund matters, including but not limited to:

(a) Establishing and paying for redemption centers to redeem beverage containers;

(b) Expanding the list of beverages to be included in the definition of "beverage" in ORS 459A.700;

(c) Increasing the refund value to be paid when redeeming beverage containers;

(d) Limiting the redemption of beverage containers that are purchased out of state; and

(e) Collecting and utilizing the refund value of unredeemed beverage containers.

(3) A majority of the members of the task force constitutes a quorum for the transaction of business.

(4) Official action by the task force requires the approval of a majority of the members of the task force.

(5) The Governor shall designate one member of the Bottle Bill Task Force to serve as chairperson, who shall serve as chairperson at the pleasure of the Governor.

(6) If there is a vacancy for any cause, the appointing authority shall make an appointment to become immediately effective.

(7) The task force shall meet at times and places specified by the call of the chairperson or of a majority of the members of the task force.

(8) The task force may adopt rules necessary for the operation of the task force.

(9) The task force shall submit a report, and shall include recommendations for legislation, to the interim legislative committees on environment and natural resources on or before November 1, 2008.

(10) The Legislative Administrator shall provide staff support to the task force, with the support of the Department of Environmental Quality.

(11) Members of the task force are not entitled to compensation or reimbursement for expenses and serve as volunteers on the task force.

(12) All agencies of state government, as defined in ORS 174.111, are directed to assist the task force in the performance of its duties and, to the extent permitted by laws relating to confidentiality, to furnish such information and advice as the members of the task force consider necessary to perform their duties.

(13) For the purposes of this section, "beverage" and "beverage container" have the meanings given those terms in ORS 459A.700.

SECTION 9. Section 8 of this 2007 Act is repealed on July 1, 2009.

SECTION 10. Sections 6 and 7 of this 2007 Act and the amendments to ORS 459A.700, 459A.710, 459A.715 and 459A.735 by sections 1, 2, 4 and 5 of this 2007 Act become operative January 1, 2009.

SECTION 11. This 2007 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2007 Act takes effect on its passage.

Passed by Senate April 23, 2007

Repassed by Senate May 25, 2007

....
Secretary of Senate

....
President of Senate

Passed by House May 24, 2007

....
Speaker of House

Received by Governor:

.......................M.,.., 2007

Approved:

.......................M.,.., 2007

....
Governor

Filed in Office of Secretary of State:

.......................M.,.., 2007

....
Secretary of State

Container Recovery, Inc.
& the Oregon Bottle Bill

Serving Industry and the Environment

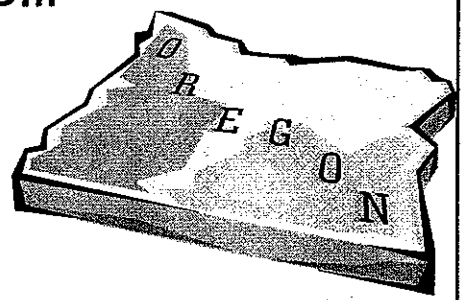
Presented to the Bottle Bill Task Force
November 9, 2007

John Andersen
Vice President of Operations
Container Recovery, Inc.

3900 NW Yeon Ave.
Portland, Oregon 97210
jandersen@containerrecovery.com
503-222-2266

APPENDIX B

Oregon's Bottle Bill

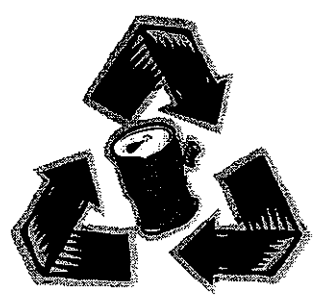


- **Oregon's** landmark Bottle Bill, adopted by the 1971 Legislature was the first container deposit legislation of its kind, in the United States.
- The original Bottle Bill was more aspirational than prescriptive.
- Private sector stepped forward to develop arguably one of the most efficient and effective systems in North America.

Original Private Sector Challenges

Distributors

- Transporting returned containers
- Developing processing systems/facilities to handle Aluminum, PET and Glass containers



Retailers

- Hand counting returned containers and sorting by distributor groups
- Storing containers

The Solution: Container Recovery, Inc. (CRinc)

- CRinc is a legal cooperative corporation formed of and by beverage distributors in 1987.
- CRinc's membership includes most regional and national distributors of products such as Coke, Coors, Budweiser, Pepsi and Miller.
- CRinc also provides service to 'non-franchise' participants such as Shasta, Safeway, Hansen's and Albertsons.

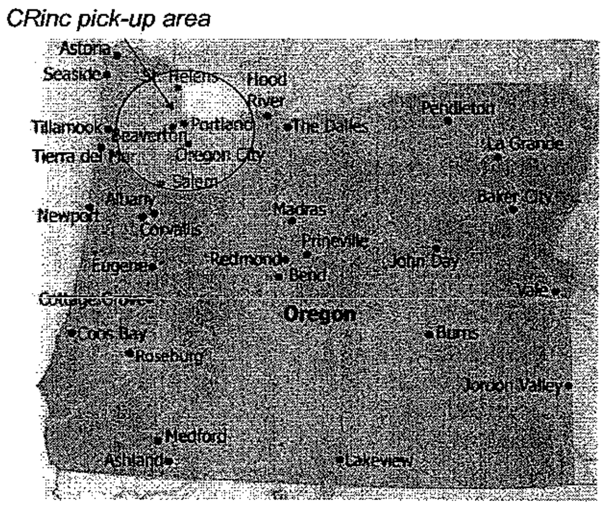
5

CRinc provides deposit beverage container services in an efficient , professional manner.

- CRinc makes over 36,000 stops per year
- Services over 1,100 retailers
- Processes up to 3 million containers a day
- Uses automated, mechanized counting devices and technologies on all containers
- Provides each retail customer an accurate payment for their containers, no estimating by weight or fill lines
- Processes Aluminum, PET and Glass containers and ships them to be made into new containers and other products
- Recycles cardboard, stretch-film, pallets, and bags as by-products of the process

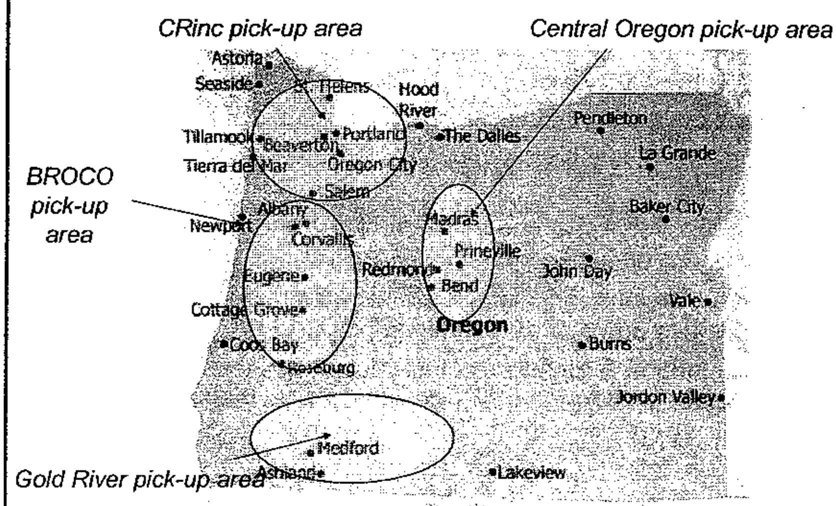
6

CRinc picks up and processes about 50% of the state's total container volume.



7

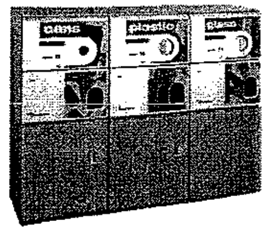
Together, CRinc and other pick up operations account for more than 80% of redeemed products in Oregon.



8

CRinc is the primary provider of RVM and UPC technologies throughout Oregon

- CRinc supplies and services Reverse vending machines (RVM's) to 282 retailer locations.
- 137 locations in Portland / 145 outside Portland.
- Total fleet of over 1400 machines.
- Collectively, reverse vending machines process 80% of total state volume.
- CRinc's master Universal Product Code (UPC) database contains nearly 500,000 retailer/UPC combinations.
- CRinc's master UPC database is also used by other reverse vending suppliers and distributors statewide.



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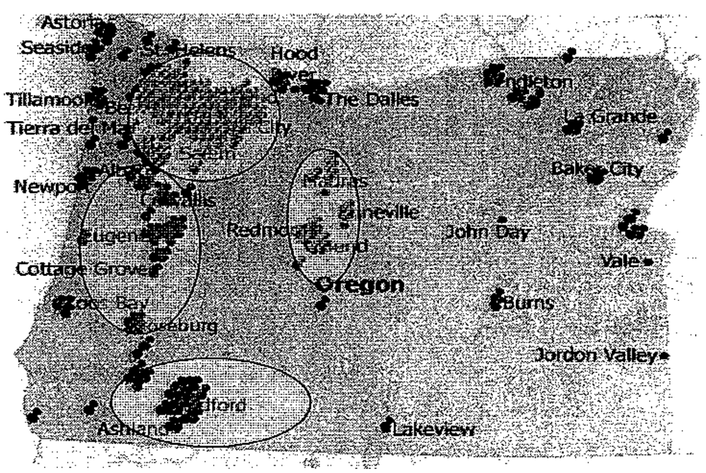
Container Recovery, Inc.

Reverse Vending Machine Locations



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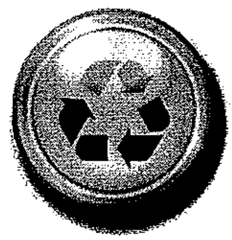
CRinc's Customers

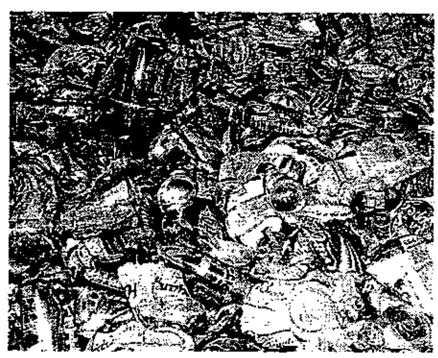
- Distributors
- Retailers
- Consumers
- The State of Oregon



In order to meet the ever-changing needs of our customers, CRinc is developing innovative solutions.

#1 Strategically Located Redemption Centers

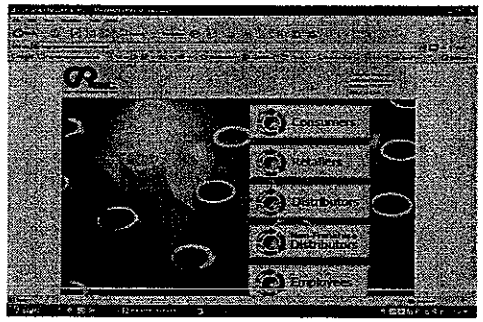
- Strategically placed in high volume areas
- Funded by both distributors and retailers



#2 Moving the Statewide UPC Database to the Web

- Retailers can update containers being sold/accepted at their store online. They can view and change items in their database.

- Distributors will know where their containers are being redeemed and can make real time additions and deletions to their product mix.



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#3 Exploring the Concept of a "Non-Franchise" Distributor Co-op

- Addresses the "Importers" responsibility in SB 707 for statewide container collection and deposit refunding.

- The Co-op would provide retailers a simple mechanism for deposit reimbursement and container pick up for products sold by "non-franchise" distributors.

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#4 New RVM Technology

- Technology that's customer friendly, accurate and reliable.
- Efficient for retailer storage and distributor pick up.

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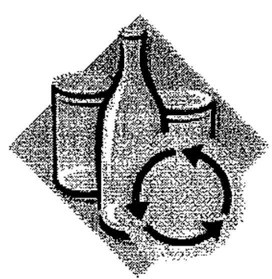
15

Moving Forward…

- Learn from and don't repeat flaws in other North American and International redemption systems.
- Build on private industry success through strong partnerships.
- Support innovations that lead to an improved bottle bill program.



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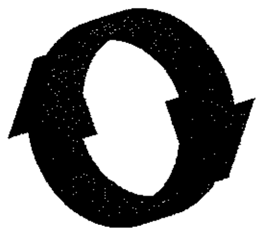
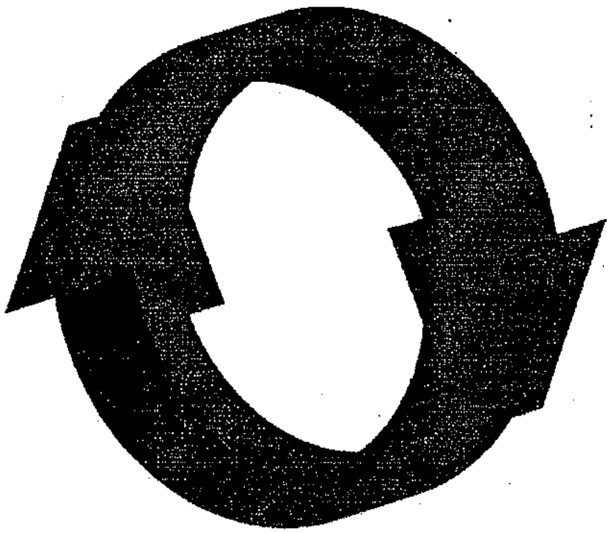
CRinc remains ready to assist the Bottle Bill Task Force in any way you may require. Thank You



Contact Info: John Andersen (503) 222-2266



Presentation to
The Bottle Bill Task Force

‘The Industry Approach’

May 13, 2008

“Serving Industry and the Environment.”

Container Recovery, Inc.

APPENDIX C

Three Step Approach

1. Recognize success of the past 37+ years.

2. Implement real solutions to January 2009 challenges.

3. Assure success of SB707 before taking further action.

1. Recognize Industry Successes

A. Limited government involvement and funding for over 37+ years.

B. Redemption rates historically at or near top of all states.

C. Favorable opinion of Bottle Bill by most Oregonians.

D. Willingness and ability of Industry to innovate, within the framework of existing legislation.

2. Implement Real Solutions to January 2009 Challenges

Two Specific Initiatives:

A. Establish Statewide Beverage Recycling Cooperative.

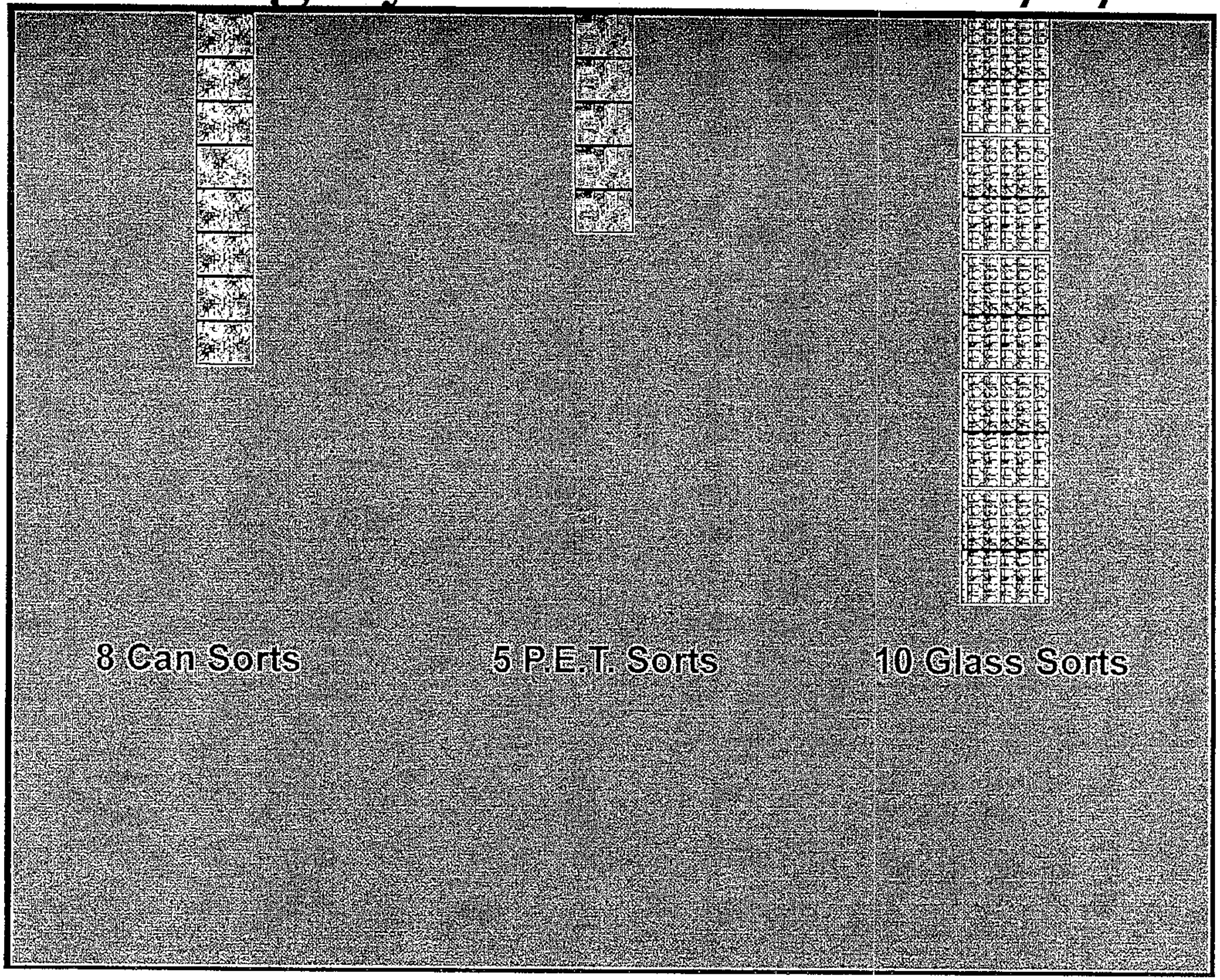
B. Begin 'Beta' Testing Industry-run Redemption Centers.

A. Statewide Beverage Recycling Co-op

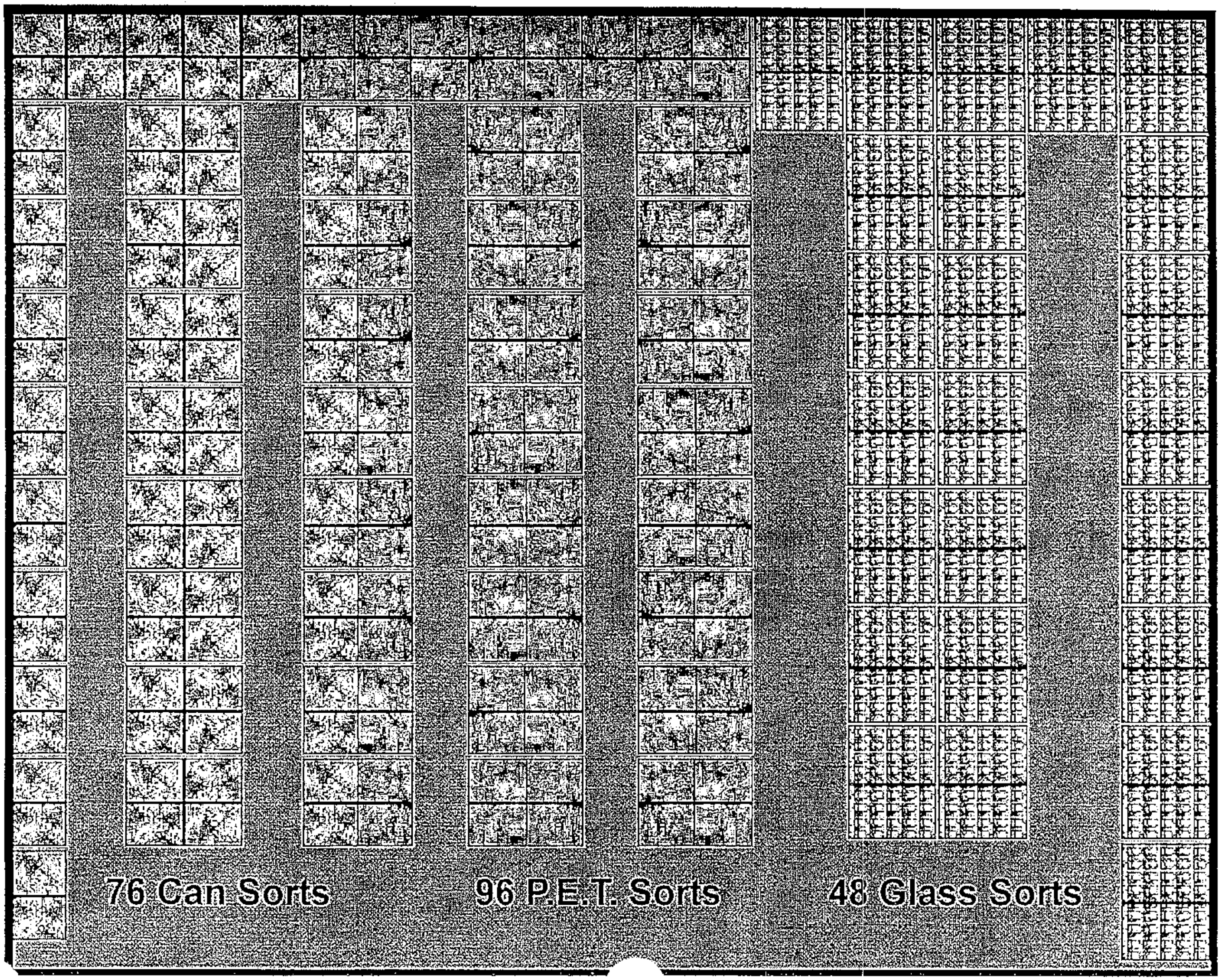
Why a Statewide Industry Co-op

- Non-franchise brands and distribution methods require a universal deposit clearinghouse.
- Oregon currently has a fragmented system of deposit reconciliation dependent on Reverse Vending machines & franchise territories.
- Non-franchise distributors need a statewide pick-up and processing solution.
- Addition of water/flavored water creates potential for over 200 sorts at the grocery retail level.

Sorting by Distributor Pre 1/1/09



Sorting by Distributor Post 1/1/09



Overview of the Industry Co-op

- Legal, cooperative corporation.
- Membership comprised of all distributors of beverage products into Oregon.
- Members pay Co-op deposits and fees based on sales.
- Co-op is responsible for all pick up, processing and recycling of beverage containers throughout the state.
- Six processing facilities located across the state.
- All Members receive equal treatment within Co-op structure.

Name & Logo

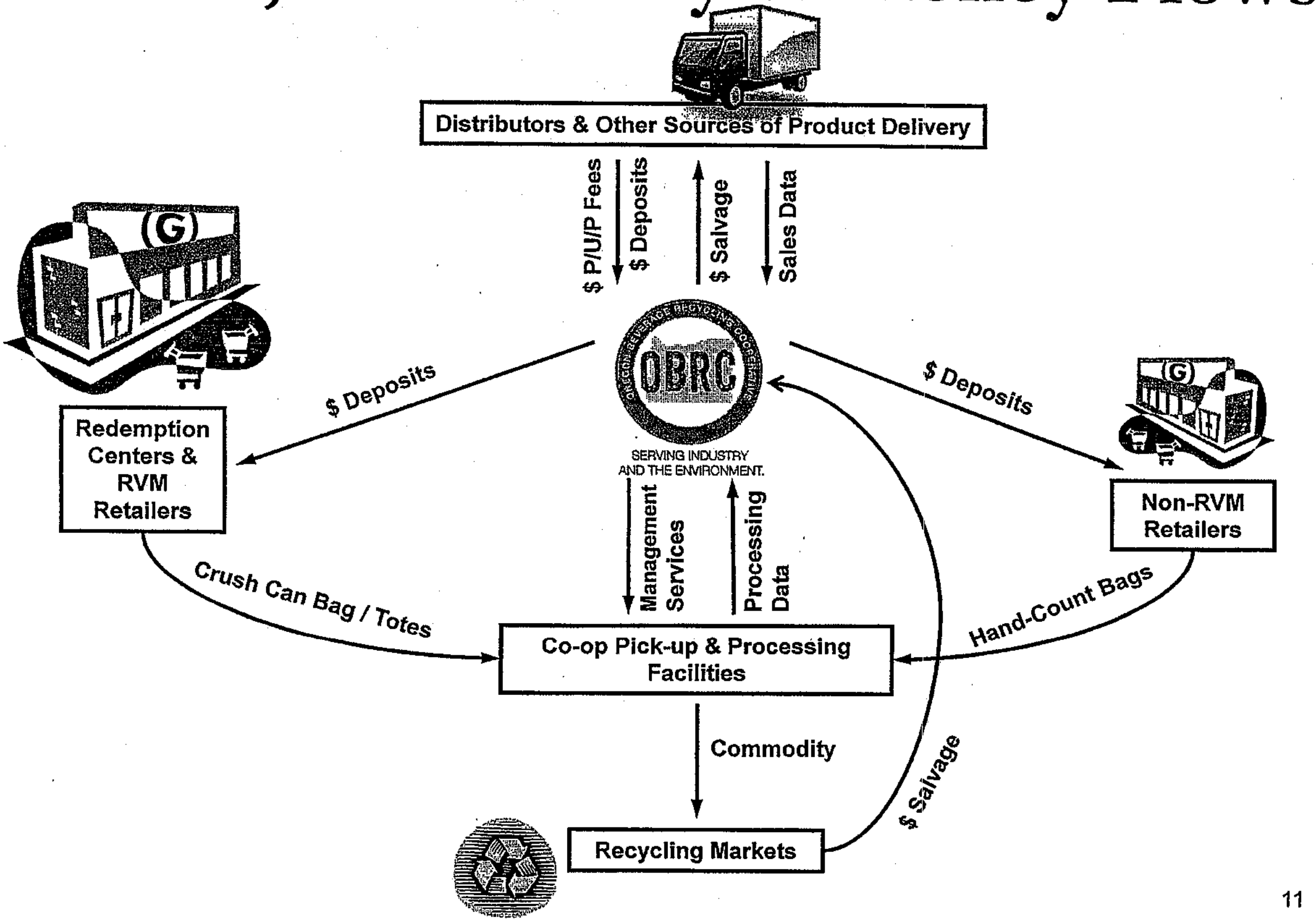
Oregon Beverage Recycling Cooperative
(OBRC)

OREGON BEVERAGE RECYCLING COOPERATIVE

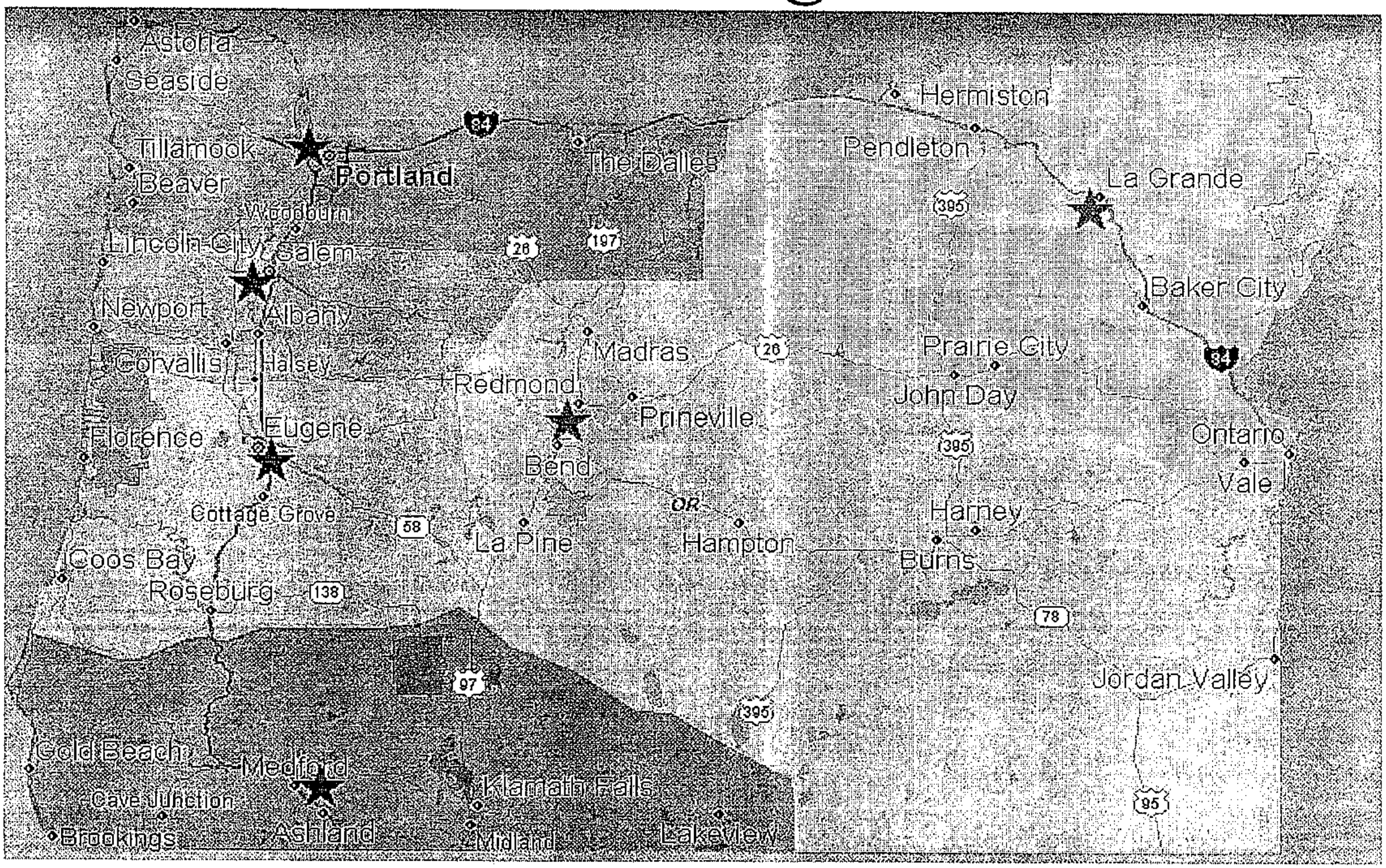
OBRC

SERVING INDUSTRY
AND THE ENVIRONMENT.

Data, Commodity & Money Flows



Potential Locations of OBRC Processing Facilities



★ *Pickup / Processing Center Location*

B. Industry-Run Redemption Centers

Why Industry Involvement in Redemption Centers

- Industry involvement encourages cost efficiencies.
- Reduces impact and increases flexibility of siting decisions.
- Eliminates third-party profiteering and fraud potential from system.
- Vertical integration of Bottle Bill processes reduces overall costs for consumers.

R.C. Concept Assumptions

- 90 Redemption Centers located statewide.
- Implementation to occur over a period of years.
- Combination of return-to-retail and return-to-redemption centers.
- Average Annual operating cost per site: $156,000 ($14.0m)
- Annual administrative costs: $2.4 million
- Annual Total Cost: 16.4 million

Projected Allocation of UBC's

Type of Dealer/Redeemer	Current Locations	Current Volume %	Locations w/ OBRC Proposal	New Volume %	Net Difference	% change
Large Grocery	300	75%	50	15%	-250	
Small Grocery/other	2200	10%	2200	10%	0	
Redemption Centers	0	0%	90	60%	90	
Total Dealers	**2500**	**85%**	**2340**	**85%**	**-160**	**-6%**
Curbside		10%		10%		
Garbage		5%		5%		
Grand Total		**100%**		**100%**		

Redemption Center Funding Concept

Projected Total Annual Operating Costs:

90 locations X $156,663 =	$14.0 million
G & A Costs (@20%)=	$ 2.4 million
Total Annual Costs =	$16.4 million

Retailers pay fee per container.
(Based on sales at participating stores)

+

Distributors pay the difference.
(Using funds from the OBRC)

=

$16.4 million

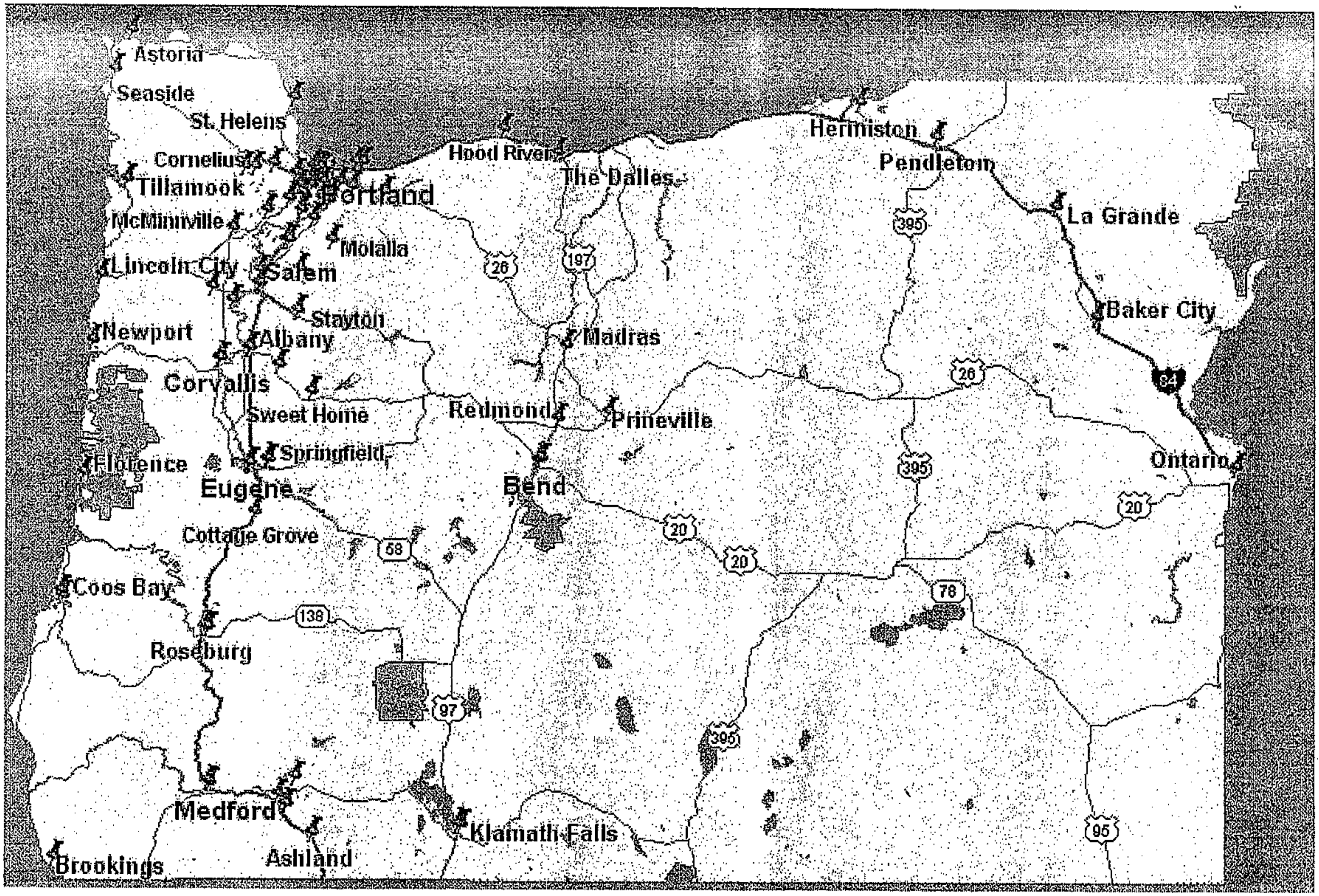
Cities w/Redemption Centers

Rank	City	Population	Quantity
1	Portland	562,690	10
2	Salem	149,305	3
3	Eugene	148,595	3
4	Gresham	97,745	2
5	Hillsboro	84,445	2
6	Beaverton	84,270	2
7	Bend	75,290	2
8	Medford	73,960	2
9	Springfield	57,065	2
10	Corvallis	53,900	2
11	Albany	46,610	1
12	Tigard	46,300	1
13	Lake Oswego	36,350	1
14	Keizer	34,880	1
15	McMinnville	30,950	1
16	Grants Pass	30,930	2
17	Oregon City	29,540	1
18	Tualatin	25,650	1
19	West Linn	24,180	1
20	Redmond	23,500	1
21	Woodburn	22,615	2
22	Ashland	21,430	1
23	Roseburg	21,050	2

Rank	City	Population	Quantity
24	Milwaukie	20,835	1
25	K. Falls	20,720	2
26	Newberg	20,570	1
27	Forest Grove	20,380	1
28	Pendleton	17,310	1
29	Wilsonville	16,885	1
30	Central Point	16,550	1
31	Sherwood	16,115	1
32	Coos Bay	16,005	1
33	Hermiston	15,410	1
34	Troutdale	15,110	1
35	Canby	14,705	1
36	Dallas	14,585	1
37	Lebanon	14,355	1
38	La Grande	12,540	1
39	The Dalles	12,625	1
40	Gladstone	12,210	1
41	St. Helens	11,940	1
42	Ontario	11,325	1
43	Cornelius	10,785	1
44	Newport	10,240	1
45	Baker City	10,035	1

Rank	City	Population	Quantity
46	Prineville	9,990	1
47	Astoria	9,970	1
48	North Bend	9,720	1
49	Damascus	9,670	1
50	Fairview	9,585	1
51	Cottage Grove	9,275	1
52	Happy Valley	9,210	1
54	Silverton	8,915	1
55	Sweet Home	8,790	1
56	Eagle Point	8,340	1
57	Florence	8,270	1
58	Independence	7,715	1
59	Stayton	7,700	1
60	Lincoln City	7,615	1
62	Sandy	7,070	1
63	Molalla	6,830	1
65	Hood River	6,580	1
68	Brookings	6,315	1
69	Seaside	6,165	1
70	Madras	6,070	1
76	Tillamook	4,675	1
		Total	90

Map of R.C. Locations



3. Assure Success of SB707 Before Further Action

A. Expanding the beverage list?

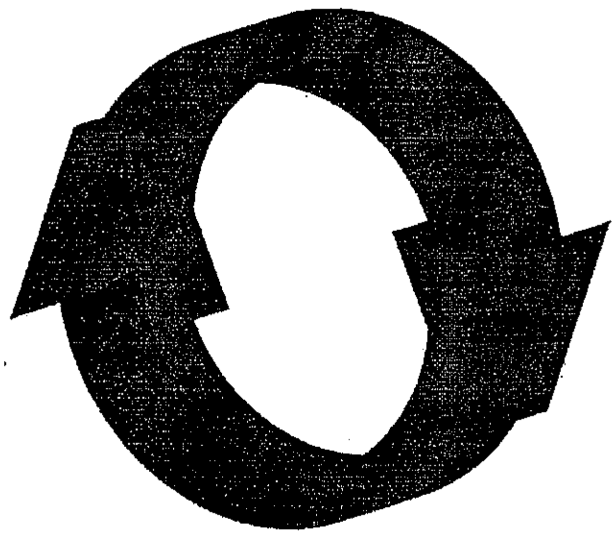
(Recommend allowing time for the current system to absorb water / flavored water products, then consider reasonable expansion – perhaps in 2011 Leg. session)

B. Increasing the refund value?

(Recommend using statewide data from OBRC to determine if changing the refund value is needed as a tool for increasing redemption rates – perhaps in 2011 Leg. session)

C. Limiting return of out-of-state containers.

(Recommend allowing industry to address this problem internally)



Thank you for your Consideration.

Contact for

Container Recovery, Inc.

John Andersen

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"Serving Industry and the Environment."

CR INC.
Container Recovery, Inc.

Association of Oregon Recyclers

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Secretary: Jennifer Porter
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Treasurer: Joe Wonderlick
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Association of Oregon Recyclers
Presentation to State of Oregon Bottle Bill Task Force
May 13, 2008

- Introduction
    - AOR seeks to preserve the best elements of the current industry run system while modernizing important elements, for example: what containers are part of system; the use of redemption centers.
    - AOR worked for several years on this issue: we worked with the PSU consensus program to get stakeholders together; held a forum in fall of 2006 that brought together a variety view on the issue.
    - AOR has been listening carefully to what industry has been saying – including the presentation today.
- In today's presentation, we shall describe AOR's ideal system as one where the public sets the goals and industry figures out the best way to achieve them.
    - Industry will be responsible for implementing and operating the revised system - within a statutory framework established to guide that implementation.
- Summary of our view:
    - Modernized system should be run by the industry with operations accountable and transparent to the public.
    - In it is in the public's interest, that there should be a statutory framework for a revised system that:
        - Expands container coverage
        - Sets a recovery rate, with tools available to improve performance.
            - A key tool would be to increase the refund value if the recovery rate is not being achieved.
        - Establishes standards for redemption centers. A revised system needs to ensure convenience for all Oregonians
        - Addresses sustainability
- Industry run system
    - Industry has demonstrated that from very simple legislation they could build an effective system to manage and recycle returns.
        - We believe it's a good base to build on.
        - Adding water bottles will take system a long way in direction we need to go (e.g., dealing with a broader set of products, distribution arrangements).

- We see industry designing the return system:
    - Subject to basic standards - what each return location takes, where they are located (e.g., ensure convenience statewide)
    - We anticipate a mix of redemption centers and return to retail - with how the mix evolves dependent on the performance of the system.
    - We recognize the expanded system will require funds for redemption centers. We would leave how it is financed up to industry.
- Accountable
    - After a suitable startup period, the revised system will need to get on target to achieving the recovery rates set for it.
    - In addition, there must be good performance of the system in all parts of the state.
- Transparent
    - The flow of funds needs to be transparent, that is, how redemption centers are financed and unredeemed deposits are used.
    - There should be independent third party audits.

- Framework statutory requirements
    - Expanded coverage of containers
        - All beverages - with some exceptions - e.g., infant drinks or formulas, meal replacements.
        - Write the statutory definitions guided by some key ideas:
            - All the new "modern" beverages need to go in. e.g., fruit juices, coffees, teas and sports drinks.
            - Keep a level playing field. For each beverage all container types would be covered.
            - More glass into system and thus "off the curb" (that is, keep it from contaminating curbside collection systems) - include liquor and wine.
    - Recovery rates
        - We believe Oregon should aspire to a high rate. Nevertheless, after water bottles are added, there will need to be time to see how consumers respond.
        - We also recognize that there is no value in setting a system up for failure – there needs to be a balance between high aspirations and achievable near terms objectives.
        - If goals are not being met - then by statute - there should be provisions to progressively increase the refund value.
        - One thing worth exploring is to have industry provide plans for how to get to 85, 90 even 95 recovery.

- Redemption centers
    - Basic standards on convenience
    - If not making recovery rate, industry may need to increase use of them through outreach efforts, adding centers or increasing operating hours.
    - If still not making the rate, then the redemption value would increase.
- Sustainability
    - Address sustainability issues, for example: use of renewable resources; reduction in green house gases; and supporting local economies.

Conclusion

- We would encourage the task force to explore in more detail issues we raised today, in particular:
    - How best to establish a performance driven system
    - How to use tools such as raising the redemption value to improve system performance.
- Thank you for the opportunity to testify today.

Proposed Bottle Bill System Managed by the State

Prepared for the Oregon Bottle Bill Task Force
May 13, 2008
Peter Spendelow
Oregon Department of Environmental Quality

Overall system: a blend of a California-style system and return-to-retail options available to the public, also using aspects developed in industry/government sponsored beverage stewardship programs.

Key features:

Deposit value: Initially the same as California 5-cent/10-cent system - 5 cents for containers smaller than 24 oz, and 10 cents for containers 24 oz and larger.

Flow of deposits:

1) Distributors collect the required deposit when they sell beverages to dealers, and pass that money on to the State. Optionally, a manufacturer could collect and pay the deposit on behalf of its distributors.
2) Dealer collects the deposit from the customer when they sell beverages to customers.
3) Customer can return empty containers to any redemption center or to a dealer, and receives back the deposit.
4) Registered recyclers collect empty containers from redemption centers and dealers and pay back the deposit. The recycler must then "cancel" the containers and can sell them on the open market for their scrap value.
5) The recycler submits a reimbursement claim form to the State, and the State reimburses the deposit to the recycler.

Return options: Customer could return empty beverage containers to a redemption center or to most dealers. Dealers may limit the number of containers a customer redeems each day, similar to today's law but with a smaller number of containers required to be collected. Very small dealers could be exempted from receiving containers. Examples of very small dealers would included small delis and also operations with drink vending machines that are not part of a store that sells beverages.

Handling fees: Redemption centers and dealers would receive different handling fees depending on the services they provide and other activities that they do, as follows:

1) Redemption centers that do not sell beverages will receive a full handling fee.
2) Dealers that choose to accept back an unlimited number of containers and redemption centers that sell beverages will receive back a discounted handling fee. This is to discourage new redemption centers from selling beverages and competing with existing retailers.
3) Dealers that choose to limit the number of containers received to the lower limit will not receive a handling fee.

A per-container handling fee for redemption centers would be set by the State for each class of containers based on studies of the average costs to redemption centers of handling the different classes of containers, and allowing for a reasonable margin of profit. The registered recyclers would pay these handling fees to the redemptions centers and dealers, and would in turn be reimbursed by the State.

Classes of containers: The State would designate different classes of containers based on separation by material type required for hi-grade recycling and any categorization required for recordkeeping and reimbursement requirements. Some examples of classes included:

- Glass bottles less than 24 oz.
- Glass bottles 24 oz or larger
- PET plastic bottles less than 24 oz.
- PET plastic bottles 24 oz. or larger
- Aluminum cans less than 24 oz.
- ...

Handling fees and other fees would be set such that each class of container pays its own way and there is not cross-subsidization of materials.

State reimbursement of recyclers: Recyclers would submit forms periodically to the State showing the number of containers they collected and the amount they paid out in deposit refunds and in handling fees to redemption centers and to "limited" and "unlimited" dealers, and other documentation as required to guard against fraud. The State would reimburse these costs. The State would also conduct a study of the net cost to recyclers to collect, process, and sell the different classes of containers and would pay a supplemental fee to the recycler if the costs of handling a class of containers exceeds the average market value for containers. The state would also provide additional payment for the collection of containers from rural areas.

Container class fee: Similar to the "Recycling Fee" used in Alberta and British Columbia, this would be a fee set by the State to cover the net cost of collecting and recycling each class of container, taking into account revenue from sale of materials and from unredeemed deposits. Unlike Alberta and British Columbia though, this fee would be paid by distributors and would not visibly be passed on to consumers. Any general costs to the state, such as accounting, general education and promotional efforts, fraud enforcement, and general program management would be divided up and included in the different container class fees based on containers sold (deposits collected) each year in that class. Money from unredeemed deposits would be applied as revenue to offset costs for all classes of containers and divided up between classes base on the containers sold each year in that class. This also is different from the system in British Columbia and Alberta, where unredeemed deposit revenue is applied only to offset costs of those beverage containers in the same class. This makes it so that hard-to-recycle materials would not also have low or zero fees due to low redemption rates, and would benefit the container classes with high redemption rates.

Location of redemption centers:
- Any company that wants to set up a redemption center can do so, provided that they can make arrangements with a registered recycler to accept their containers. The location of redemption centers may be limited by local government zoning ordinances, but the state would not adopt mechanisms such as franchises that would limit competition between redemption centers.
- The State would conduct a feasibility study to determine the size and locations of "Market Zones," which are areas of sufficient size and beverage return potential to support a redemption center.
- If after an initial period the State determines that a market zone is not adequately served by redemption centers, the State may possibly use grants or other incentives to establish redemption centers in unserved areas
- If rural dealers or redemption centers in an area are having difficulty obtaining collection service from a recycler, the State would contract with a private company to provide that service.

Phase-in period: On implementation, dealers would still be required to accept back the same number of containers they are currently required to accept (144 containers per person per day for large dealers, and 50 for small dealers). At such time when a redemption center opens for business in a market zone, all stores in that zone would then have the option of moving to a more-limited redemption quantity discussed under "return options" above, provided that the redemption center meets certain minimum standards for hours open and capacity. The standards would vary depending on the urban/rural nature of the market zone.

Standards for redemption centers:

- The main standards for redemption centers would be recordkeeping requirements and other requirements designed to minimize and potentially prosecute fraudulent return of containers.
- Additional standards would be adopted concerning the minimum number of days and hours that redemption center would be open if that redemption center services a market zone.

Other Considerations

The following are not specific to the state-managed system proposed here, but could also be used in other types of systems being proposed:

Trial redemption by weight: Initially, all returns would be conducted by count. However, some redemption centers would be authorized to do redemption by weight on a trial basis to see if the efficiency of returns could be increased without creating unacceptable risk of fraud or unacceptable accounting issues. If successful, a program giving the option of redemption by weight, similar to California's program, would be implemented at other redemption centers.

Beverages covered: The system being proposed could be operated collecting various mixes of beverage containers. As a suggestion, the law might be implemented initially with a container mix as defined in California's law, but then phase in all other beverage containers at a later date as specified in the law

Return rate goals: The State would set a percentage goal for the recovery of containers under the revised law, and then measure return rates to see if the goals are being achieved. If the return rate goals are not being met, different options could be implemented that are designed to increase the recovery goals. Such options could include providing education and promotion, raising the deposit level, addressing returns in specific areas such as offices, schools, and other institutions, or increasing the convenience to consumers for recycling. As a suggestion, a goal could be set for return rates of 85% or 90%.

REDEMPTION PROGRAM FINANCING OPTIONS
Financing Subcommittee
Oregon Bottle Bill Task Force

INTRODUCTION

This report provides a description of the ways beverage container redemption systems can be financed. The discussion includes information regarding financing options for three distinct systems:

- O the current system for recovering empty beer and soft drink containers.
- O the system that will begin operating in January 2009 when water bottles are added to the current program.
- O an expansive system that might include bottled juice, teas, coffee, sports drinks, wine and alcoholic beverages.

This report summarizes how these three systems are or might be financed. The review of financing alternatives for an all-beverage-container program includes various options not currently employed in Oregon.

The subcommittee report closes with a recommendation on the potential next steps for the Task Force.

FINANCING OF THE CURRENT SYSTEM

Over the past 35 years, the beverage container redemption program has evolved into a business-run system with specific financing features.

Today's system is nearly completely self-financed by industry (the Oregon Liquor Control Commission and the state Department of Environmental Quality each dedicate very small amounts of their budgets to minor deposit-system activities). The system involves bottlers and distributors charging retailers a deposit on beer and soft drink containers, which the stores then pass on to consumers upon the sale of the beverages. When consumers return their empty bottles and cans, they receive back their deposits. Likewise, the retailer receives reimbursement of deposits from distributors for the empty containers that were collected. Several third-party organizations – Container Recovery (Portland) or Beverage Recyclers of Oregon (Eugene) are the largest– provide the needed financial management and container processing services. CRI, BROCO and two other firms are distributor co-ops.

Others also provide redemption service. A number of independent distributors, especially in eastern Oregon, handle their deposit program requirements separately. In the Portland area, about one-quarter of the redeemed containers are collected from retail outlets, including convenience stores and bars, and then loaded into trailers for shipment to the CRI processing facility.

The financing of the current system involves a variety of income flows, for no deposit system can survive solely on the revenues generated from the sale of recyclables. Distributors accumulate unredeemed deposits, plus the income that can be produced by investing the so-called "float" (the value of the deposits for those containers that consumers have stored in their homes).

The third-party service providers, who handle the vast majority of the redeemed containers in the state, generate their revenues from several sources, including the sales of recyclable materials (aluminum, glass and plastic) and from pick-up and processing fees paid by co-op members.

Retailers incur costs by providing redemption services, including labor, worker-safety and energy expenditures, plus the dedication of nonrevenue-producing space for redemption equipment and container storage. Grocers also incur costs in terms of keeping redemption areas and grocery carts clean. With no revenue generated from the deposit system, retailers are forced to add these costs onto the value of beer and soft drinks, or onto other goods.

The cost of redeeming containers is not equal among retailers. Redemption program expenses are absorbed by a small percentage of the overall pool of retailers, with full-service grocers redeeming higher percentages of containers than convenience stores and specialty retailers such as K-Mart, Target and Walgreens.

FINANACING OF THE WATER-BOTTLE REDEMPTION SYSTEM

By passing Senate Bill 707 in the 2007 session, the legislature expanded Oregon's deposit system to include bottles containing water or flavored water. Redemption will begin at the start of 2009.

Although the water bottle recovery system is still being worked out among industry parties, we can describe one very likely financing method. The current system utilizing third-party service providers would be expanded to include private-label and open-market water bottle distributors. The organization's structure would be altered to reflect this expansion, such as possible changes in the board of directors.

In order to provide a unified, common program in most of the state, CRI and BROCO might become a single entity or might remain two separate entities but operate in a seamless way in terms of similar accounting methods, a sharing of the responsibility for statewide service, etc.

FINANCING OF A WIDER REDEMPTION SYSTEM

The approval of Senate Bill 707 included language creating the Bottle Bill Task Force. This public body is required to assess opportunities to expand the recovery system beyond beer, soft drinks and water, and to report its findings and recommendations to the 2009 legislature.

The expansion of the deposit system could include two types of empty containers. First, the list of non-alcoholic beverage containers handled under the redemption system could be expanded to include other popular beverages in cans or bottles, such as teas, coffees, sports drinks and juices. Second, the list of alcoholic beverages could include deposits on wine and liquor bottles.

Such an expansion would result in a sizable increase in the number and types of containers being redeemed by Oregonians. In North America, all of the systems that recover such a wide range of containers (more than beer, soft drinks and water) employ some form of redemption-center concept. Redemption centers could be the sole recovery method, or the new law could allow for retailers to opt in to the new system if they wished to continue to act as a redeemer.

Even though the point of redemption might move from the retailer's site to a local center, the same industry funded third-party system now operating, and likely to operate when water bottles area added, could be expanded to finance the recovery of these containers. For example, it is important to note that a large volume of these additional nonalcoholic beverages (private label and non-private label) are distributed by firms now selling water and/or soft drinks. These distributors would already be co-op members if the water-bottle expansion goes forward as described earlier.

The ways to fund such a comprehensive redemption and recycling system are many. The options include these:

Handling fees. Redemption centers or retailers could be paid handling fees, as happens in some states. This payment can take three forms. In some states and provinces, consumers do not get back their full deposits. For instance, some of these programs are labeled as "half-back" systems because consumers only receive five cents back from a ten-cent deposit. Iowa legislators are expected to consider a measure this year that provides for an eight-cent return to consumers for every ten-cent deposit. The two additional cents would go to the redeeming entity for the costs of running the redemption site.

In other states, the third-party recycling service provider pays handling fees to the redeeming party. For instance, in Maine the third-party firm that collects containers from redemption sites pays back the five-cent deposit on every container, plus an additional 3.5 cents handling fee.

A third approach would be for the state to set a target redemption rate. Retailers failing to achieve the mandated rate or not providing redemption service would pay a fee. The monies would then be distributed to those firms redeeming containers, such as retailers and redemption centers. In other words, retailers such as gas stations, hotels, restaurants and others who sell beverages but do not offer redemption services would help fund the recycling activities of major grocers and local redemption centers.

Unredeemed deposits. In all but a few cases, deposit funds remain within the redemption system, as occurs today in Oregon. However, this can result in rising revenues to bottlers and distributors if the redemption rate declines. In other words, a sensible goal of a redemption system – high levels of container recycling – may be subverted by economic forces.

Two options exist to abate this potential problem. The redemption law could be changed to require unredeemed deposits to be paid to the state. This is the practice in California, Hawaii, Maine, Massachusetts and Michigan. These collected funds can be used to finance deposit program elements (California and Hawaii) or fund other state programs (Maine, Massachusetts and Michigan).

A second alternative is to establish a state-mandated deposit program redemption rate. Should the recovery system provider not attain the rate, investments would be required to push the rate up, and unredeemed deposits would be a funding source for such actions.

Investment of the float. As in the current system, bottlers and distributors may have the opportunity to invest deposit revenues, given that consumers tend to store redemption containers for a period of time.

Service fees. The recycling service provider might charge bottlers and distributors a pick-up and processing fee, as occurs now.

Processing fee. In California, beverage producers are charged a processing fee to help offset the cost of recycling the specific packages they sell. The fee ranges from nothing for aluminum cans up to a fraction of a cent per container for other materials. The purpose of the fee is twofold: to assure that easily recycled packaging is used and to help pay for the cost of the redemption and processing of specific types of containers.

Redemption center development fee. Beverage manufacturers and distributors could place a recycling fee on invoices. Funds would go to the state or to a non-profit, quasi-public body to finance redemption facilities.

Material sales. The recycling service provider would sell the collected and processed metal, glass and plastic. Higher recovery volumes as a result of the expansion of the redemption system might lead to a small improvement in per-ton material sale values due to more recyclables being available for sale.

The financing methods employed in expanded systems in North America vary between those where money flows are apparent, as in California, to those where a broad, nonprofit industry organization is charged with managing and financing the redemption system, and financial data is kept internal. This is the case in a number of Canadian provinces.

NEXT STEPS

The potential expansion of Oregon's deposit program beyond beer, soft drinks and water can take many forms. The Task Force needs to consider how an expanded recovery program might be structured. A wide range of financing options can be considered during this assessment.

Comments on Redemption Program Financing Options Oregon Bottle Bill Task Force[1]

The options paper prepared by the Financing Subcommittee raises a number of issues about the operation of the current bottle bill as well as some of the many new issues associated with an expanded bottle bill. While the paper does not identify specific options or recommendations, the Association wanted to provide some additional perspective on the issues raised, in particular to describe to the Subcommittee and Task Force some of the fundamental changes associated with an expanded bottle bill.

It is our position that the financing topics listed in the subcommittee report can only be understood and evaluated in a broader context that includes what containers are included in the program, what is the redemption system in place, what compensation scheme is in place to fund the system, and how is that scheme financed. This issue paper provides some additional perspective on these various issues, drawing on experience from other redemption systems in the US and Canada.

Current Oregon Program

The discussion on the costs and impacts of the current law illustrate the various cost elements of the program and the various funding sources that exist to cover these costs. We would like to emphasize that the deposit-redemption system as a whole imposes a net cost on Oregonians. The various revenue sources are not sufficient to cover the system costs. To say that the deposit system in Oregon is self-financed really means that Oregon businesses and consumers pay for the cost of the program through a combination of higher costs, higher prices, and consumer time to redeem containers.

While we have not been able to compile sufficient data to compute a reliable cost estimate for the Oregon system, we have been involved in a number of studies in other deposit states that consistently show costs outweighing available revenues. We are also beginning to understand some of the environmental impacts of deposit redemption in terms of incremental vehicle use to return and collect empty containers.

The most recent study of these issues was a joint effort in Vermont conducted by Northbridge, who collected data from the distributor and retail communities, and DSM Environmental Services, who, under contract to the Agency of Natural Resources, collected data from redemption centers and compiled the data into a report for the State. This report tabulated costs for the redemption, collection, and processing of deposit containers as well as revenues earned from scrap sales and unclaimed deposits retained by distributors.[2] While the experience of individual companies and facilities varies widely, the aggregate operating costs of the system in 2007 totaled $10.9 million. These were offset by scrap revenues of $3.2 million and unclaimed deposits of $2.1 million. The redemption system as a whole costs Vermont businesses and consumers $5.6 million per year.

[1] Prepared by Kevin Dietly, Northbridge Environmental for the American Beverage Association, February 29, 2008
[2] *The Costs of Beverage Container Redemption in Vermont,* VT Agency of Natural Resources Solid Waste Program, June 30, 2007.

The ANR report also estimated additional costs of the system based on consumer travel to redeem containers at redemption centers and the environmental impacts of that redemption activity. Vermont has a very high percentage of empties returned to redemption centers (as opposed to supermarkets or other grocery outlets). Because of this heavy reliance on redemption centers, many consumers travel out of their way to return containers. The Vermont report estimated that consumers drive an additional 7.6 million miles each year to return containers at a cost to them of $3.7 million, bringing the aggregate cost of the redemption system to $9.3 million or about $600 per ton of material recycled through the program. No estimate of lost sales was included in the analysis.

The environmental impacts of the law certainly include the 17,500 tons of beverage container material recovered and whatever incremental litter reduction results, but the environmental impact also includes the associated fuel consumption and vehicle emissions. The incremental fuel totals 362,000 gallons and the emissions total 3,500 tons of CO_2; this only includes consumer travel and not the commercial traffic to retrieve containers from redemption centers that would not otherwise be visited by distributors.

On balance, deposit-redemption programs are a costly way to recover material. Combining the economic, time, and environmental costs with the adverse effects the programs have on community recycling programs leads us to conclude that the future of Oregon's waste management lies not with more deposits, but with increased investment in more efficient and sustainable recycling programs.

The Task Force, however, is charged with exploring a number of issues about changes to the current law. The balance of this paper addresses these issues, beginning with a background discussion on how expansion will change the operation of the deposit system.

Changes Under SB 707 and Any Future Expansion

The subcommittee report asserts that the third party collection system will expand to accommodate the additional returns of water bottles after January 1, 2009. While this is certainly true, the report fails to explain the fundamental, underlying changes to the redemption system brought about by SB 707. Understanding these changes is vital to understanding the implications of further expansion of the law, costs of the program, redemption system options, and funding options.

Non-Exclusive Distribution

Oregon's current bottle bill is operated by distributors that sell products within exclusive franchise territories. Sales of their franchise brands within their territories are exclusively their right, meaning that they collect all the deposits on all sold containers of their brands. Similarly, returns of containers within a distributor's territory are the distributor's sole responsibility. Except for empties brought in from other states and movement around the state, a distributor knows that he is collecting deposits on all containers that can be returned in his territory. That linkage breaks down for most noncarbonated beverages.

Most bottled water containers are sold by distributors *without* exclusive franchises. These water bottles enter Oregon through many competing 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. This will occur not through any fault of the producer, but because the ultimate destination of the container is not known until the product reaches the retail store itself. In other cases, deliberate or accidental redirection of product shipments meant for a nondeposit state will end up in Oregon, leading to containers being sold without the deposit being collected by the manufacturer or distributor.

Consumers will certainly pay deposits on all of these containers, but the deposits collected will reside with a wide assortment of manufacturers, distributors, wholesalers, brokers, and retailers. Unfortunately, these will not be parties responsible for paying the refunds on these containers if they are returned; the only entities that can be identified as the responsible party for refunding deposits and collecting containers are the manufacturers whose names appear on the bottles.

Once these containers are returned to stores, there is no way of knowing who initiated the deposit. The broker or wholesaler or warehouse that brought the container into the state (the "importer" in the language of SB 707) may have collected the deposit, but will not be the one required to refund it or to collect the empty container; that responsibility falls to the manufacturer whose name is on the label. The authors of SB 707 partially recognized the problem, which is why they inserted language mandating that manufacturers or importers pay the refund on empties or be subject to penalties, but this is no solution to the underlying problem – that those selling and initiating deposits are not the ones that will be paying refunds and collecting empties.

This disconnect between the collection of the deposits and the responsibility for collection and paying refunds colors the entire discussion about expansion, redemption, and funding. Once the Oregon bottle bill moves beyond exclusively-distributed products (principally beer and soda), the bottle bill is fundamentally changed.

The implications for the redemption system are noted in the subcommittee report – third parties need to provide collection services for the many in-state and out of state manufacturers with no captive distribution system in Oregon. In fact, these companies have no direct way of knowing how many of their containers are sold in the state because they are simply manufacturers who sell to customers all over the world. Where those customers distribute and sell the water they buy is their business, not the manufacturers'.

We believe it is important for the Task Force to understand the issues of sorting, auditing, reporting, and fraud that are inherent in a system where third parties are collecting empty containers for out of state manufacturers. The Maine redemption system is a grim reminder of the operational burdens these systems place on retailers, redemption centers, and manufacturers and the enormously high cost that results.

Operational Impacts

The arrival of non-exclusively distributed containers at Maine redemption centers completely changed the operation of those establishments. Prior to expansion, redemption centers functioned as they do in other traditional deposit states – separating containers by material, size, and by each exclusive distributor served. A typical redemption center might perform 30 or 40 sorts to keep all the containers separated for pickup.

After expansion, the number of sorts jumped into the hundreds. Each individual brand of juice, water, tea, fruit drinks, energy drinks, and sports drinks are separated by material type and size. A typical redemption center set up uses banana boxes or similar, stout cardboard container to collect containers after sorting; the centers typically perform 300 sorts initially and more secondary sorts later in the process. Because of the number of sorts, staff literally have to walk several feet to reach boxes, just to throw in one bottle of a particular brand. The time involved plus the knowledge to sort brands (does V-8 go with Campbell's Tomato or with Mott's?) adds significantly to costs. Once the boxes are filled they are set aside and kept together with other container types of the same brand.

When a third party collection agent comes to collect containers (since these companies do not have in-state distribution), it needs to separately account for each of its clients brands by material type and size since collection fees vary by container type. Boxes of the appropriate brands are stacked on pallets and as each row is filled, the pallet is shrink-wrapped and another row of boxes placed on top. The process of palletizing boxes of dozens of different brands, with different sized bottles in them and then recording the number in each box can take a long time and is reflected in high third party pickup fees. This remarkably slow and inefficient process goes on all day, every day in hundreds of redemption centers across Maine.

Cost Implications

Handling and collecting these non-exclusive containers is much less efficient than under the current bottle bill. Even a limited expansion to water means many more brands being redeemed in a wide range of container types and sizes, all of which need to be kept separate from each other in order to facilitate invoicing and tracking of refunds by brand. (Our Connecticut research suggested 85 different sorts required for water bottles and brands in that state.)

For retailers without reverse vending machines, the explosion in the number of sorts required will require significantly more space. These burdens would multiply much more if more products were included in expansion. Even retailers that use reverse vending will find many more containers rejected by machines, either because the size and configuration of the bottle is not accepted in the machine or because the bottles are not recognized.

In addition to the higher handling costs at redemption sites, collection fees for third parties are significantly higher than costs incurred by exclusive distributors and bottlers. The entire cost of the redemption system would grow significantly as a result of expansion. Based on research in other states considering expansion of their bottle bill, the costs are dramatically higher.

Connecticut's current bottle law (beer and carbonated soft drinks only) costs $26 million per year in operating cost. Expanding its law to water would add $31 million per year in operating costs to retailers, redemption centers, distributors, and manufacturers. Costs for handling and collecting containers were based on fees and costs incurred in Maine. This means that the recycling of water bottles under the proposed expansion of Connecticut's law 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. The projected impact on Connecticut's recycling rate would be an increase of about 6/100 of one percent.

Redemption Systems

The specific issues addressed in the financing subcommittee report combine discussion of redemption systems (where containers are redeemed), how those systems are funded (what is the funding mechanism), and the source of the funds. We will address these inter-related issues separately.

The subcommittee report indicates that all redemption systems that handle containers beyond beer and soft drinks employ some kind of redemption center. This needs to be explained further, because in reality all deposit jurisdictions provide for redemption centers and many of them rely heavily on redemption centers, even if deposits only affect beer and soda.

Maine and Vermont are two states where supermarkets redeem less than 15 percent of all returns; the rest are returned through redemption centers – some of which have retail businesses, some do not. In the remaining traditional deposit states (beer and soda only), supermarkets handle a much higher share of the returns. Only in California and Hawaii are the redemption systems oriented completely around redemption centers (though retailers still have the ability to redeem containers and in some cases are required to do so).

Given that Oregon currently has an all-retail redemption system, it is probably most useful to explore issues associated with moving to redemption outside of stores. The funding implications are discussed later.

What is a redemption center?

Only a few states have pure redemption centers in any significant number; these are facilities that are in the redemption business only and do not have retail or other lines of business outside of container redemption and collection. These independent redemption centers exist in Maine, Vermont, and Hawaii. California's old-line redemption centers are part of pre-existing scrap facilities, so they have other businesses. California's convenience zone centers are stand-alone and could be considered independent centers. In other deposit states, what is typically called a redemption center is often just a side business of a retail operation, such as a beverage warehouse.

Shifting to redemption centers: Competition for food stores

Even in states where fees paid to redemption centers are high, redemption centers routinely migrate into the beverage business. Often it begins with centers buying beverages at discount in neighboring states or from wholesale clubs and offering them to redemption customers. Over time, these centers become customers of the beverage distributors and bottlers, because those companies are visiting the centers to retrieve empty containers. Some of the largest beverage retailers in Vermont and Maine, for example, got started as redemption centers. One reason that retailers in many deposit states have been reluctant to see redemption centers get established (despite the obvious advantages of taking the redemption operations out of their stores) is the loss in sales they experience to those centers.

Shifting to redemption centers: Where does it end?

Creating a regulatory or economic environment that is conducive to redemption centers leads to rapid growth in the number of centers – to the detriment of those centers that are already in business and to the detriment of those charged with financing the centers. One of the major criticisms of the California system is the issue of "over-convenience." The provision to locate redemption centers within convenience zones statewide has led to the establishment of thousands of centers, many of which are not viable business operations without supplemental funding received from the state.

On the other coast, Maine has seen the number of redemption centers grow each time it has increased the handling fee paid to centers. For example, when the handling fee rose from 2¢ to 3¢ when the law was expanded, the number of redemption centers grew three-fold. Today there are over 400 redemption centers in Maine – in addition to the thousands of retail locations where containers are accepted for redemption. Each new redemption center that opens draws business away from the existing centers. Since the centers' costs are strongly driven by scale (large centers are far more efficient), adding to the number of centers that are chasing a fixed pool of empties means that everyone's costs go up. The redemption centers continue to clamor for higher fees and subsidies, all the while their growing number means they are chasing a smaller and smaller pool of potential returns.

Of course one way to make up for a smaller share of the market is to attract out of state containers and that is certainly a common mode of operation for many redemption centers. Audits of redemption center returns by the Maine Beverage Association has found out of state containers accounting for up to 28 percent of returns. Also redemption centers in southern Vermont are famous for their "6-cent" days when they offer higher refund values to entice consumers in neighboring deposit states to redeem containers in Vermont instead of Massachusetts and New York.

Shifting to redemption centers: consumer reaction

Consumers prize convenience and tend to support the status quo. When presented with a plan by Iowa grocers to shift redemption out of stores a few years ago, Iowa consumers were irate. They bitterly criticized the chain stores that stopped handling empties and those stores lost customers over the issue. No deposit state has ever made a direct switch from a retail-based to a redemption-center-based return system. Business has migrated to redemption centers in places like Maine and Vermont, but, again, this has occurred as these centers have begun to function more as one-stop shopping for beverages so consumers both buy and return at these facilities.

Shifting to redemption centers: whole bottle and can redemption

One characteristic of retail redemption is a high fraction of redemption through reverse vending machines (RVMs). RVMs offer retailers the advantage of space savings because containers can be compacted once their barcodes are read and the information is stored in the machine; otherwise, containers need to remain in tact to facilitate audits and to maintain the integrity of the redemption system. RVMs also improve the integrity of the counts, making it somewhat less difficult for customers or employees to defraud the store.

By shifting to redemption centers, the use of RVMs would decrease. This means that more whole containers would be handled, adding to system costs. Whole containers take up much more space (*e.g.*, the stacks of boxes used in Maine to hold bottles and cans) and are much more costly to ship.

To be economically viable, RVMs need a significant throughput of containers because the fixed costs of the equipment are high and need to be spread over a large number of returns. Most independent redemption centers do not have the volume necessary to justify RVMs nor do the entities that own and operate them have the financial wherewithal to afford them. RVMs remain common only in supermarkets and high volume beverage outlets such as package stores in New England.

Shifting to redemption centers: fraud

Fraud is typically much worse with redemption centers than with retail redemption. The reason is that the retailer is also a customer of the beverage distributors and manufacturers, so they have a working, business relationship. The relationship between distributors and redemption centers is much different, since the redemption center's incentive is to maximize its revenue earned from the distributor (refunds and handling fees collected) and there is no other business relationship between them.

Redemption center fraud typically takes two forms: attempting to defraud beverage distributors and third parties by inflating the number of containers reported as redeemed and attempting to attract additional business from out of state. "Short bags" are bags of redeemed containers that are supposed to hold a certain number of returned cans or bottles, but actually contain less. Redemption centers may represent its bags as holding 240 cans, but on actual count the bags only have 210 or 220 containers in them. Counting individual bags is costly for distributors, so short-bagging often goes undetected.

Redemption centers also have a strong incentive to attract containers from outside the state, since these represent incremental revenue of the refund value plus whatever fee is earned on each container. Redemption center fraud is widespread in all deposit states and the incidence of "foreign" containers is much higher at redemption centers than at stores. A Vermont redemption center operator innocently testified at a public meeting last year that she would never have gotten into the business if she had known that she could not collect containers from New Hampshire (a non-deposit state) and collect the refund value and handling fee from Vermont bottlers and beer wholesalers.

Shifting to redemption centers: environmental impacts

Finally, as noted earlier, returning containers through a redemption network has environmental implications because of the incremental travel required by consumers to take containers to the facilities and by beverage distributors or third parties that travel to these accounts to retrieve the empty containers. Early research on the issue has only included consumer travel, but the impacts are significant and provide a contrast with additional recycling through established recycling infrastructure like curbside recycling where material can be recovered with little or no incremental environmental impact.

Funding Redemption

Retail-based redemption puts the cost of redemption on the retailer of deposit products. In the case of all traditional deposit laws except Oregon's newly amended system, retailers are required to accept all containers of the brand, type, and size that they sell. (Oregon's amended law requires larger retailers to accept all types of deposit containers, even if they do not sell them.) These systems can be inequitable across retail categories as noted in the subcommittee report because full-service supermarkets redeem the vast majority of containers, since convenience stores, drug chains, and big-box retailers do not make redemption very convenient for customers and some actively discourage it.

Redemption center redemption requires some independent funding source to keep the center running. Even if the center were able to retain control of commodities that they collect, they would still not be able to cover their costs. If the redemption center were affiliated with a retail store, the retailer could cover its costs. Otherwise the funding comes from distributors in the form of handling fees or from a centralized state fund.

Handling Fees

In a distributor-funded system (in place in the nine original deposit states), the most common way to fund redemption centers is through a handling fee. The handling fee is an out-of-pocket expense of the beverage manufacturer, distributor, or bottler and is paid to the redemption centers along with the reimbursement for refund values paid.

In Oregon and Michigan, all redemption occurs through retailers because there is no such fee. In other deposit states there is a fee, ranging from 1¢ per container in Iowa to 3.5¢ in Maine and Vermont. In these states, redemption centers that pay consumers 5¢ per return are reimbursed 5¢ for each return by the distributor plus the amount of the handling fee. Even with these fees, most facilities commonly called redemption centers are actually in other businesses as well such as the sale of beverages. Few are operating with the handling fee as its sole source of income.

As handling fees increase, the number of redemption centers will grow (as described in the previous section). That means more centers chasing fewer containers and creating more cost pressure on the system, leading to calls for still higher fees.

Other Fees for Redemption Centers

In California and Hawaii where redemption centers are supported by a state fund, the compensation system is more complex. California redemption centers receive payments for each container that vary by material type and are based on studies of actual costs at a sample of centers in the state. These payments are routed from the state through materials processors that collect empty containers from the centers and they change annually. Many redemption centers in

California receive additional funding as well because the base level of subsidy does not support their operation.

Hawaii redemption centers receive a handling fee from the state fund that varies between 2¢ and 3¢ depending on where the center is located.

Canadian redemption systems are typically paid a per-container fee that is either flat or varies by material type and size.

Other Expenses

It is worth noting that there are also other expenses associated with a deposit-redemption system that need to be considered. The other major cost is collecting, transporting, and processing the empty containers and selling them for scrap. Less significant costs are labeling, bookkeeping and accounting. Finally, those in the beverage distribution and retailing business incur costs from lost sales of products that result from the higher price of the product, cross-border purchases, and the loss of sales space in retail establishments that must be dedicated to redemption.

Financing the Fees and Costs

The most important issue in financing the fees and costs of a redemption system is whether the system is distributor funded (as in the nine traditional deposit states) or state funded (as in California and Hawaii). (These descriptions are somewhat misleading since the systems are all ultimately funded by the states' consumers and businesses, but this is meant to distinguish where funds are collected in the systems.)

Distributor-Funded Systems

In a distributor-funded system, distributors collect deposits and pay out refunds. Distributors have two primary sources of income to cover fees for redemption and the other costs associated with the system: unclaimed deposits and scrap revenues. (The so-called "float" on deposits collected refers to the balance of deposits collected but not yet redeemed at any given time on a distributors' books. Interest on these funds is not a significant source of income relative to the tens of millions of dollars spent to operate the deposit system.)

Scrap revenues are not nearly adequate to cover the system costs. In the Vermont research, for example, scrap revenues (in a period of high scrap value) totaled only 29 percent of system costs, without considering consumer costs.

All unclaimed deposits are used to fund redemption system costs in every distributor-funded system except Massachusetts (where the revenue is taken by the state and applied to the general fund), Michigan (which takes most of the unclaimed deposit for other state programs, but does allocate ¼ of the balance to redemption operations), and Maine (which collects unclaimed deposits on certain containers only and uses the proceeds to fund state administration of the program).

While scrap revenues vary based on commodity values and are somewhat uncertain, unclaimed deposits are an exceptionally unreliable source of funds especially where noncarbonated products are part of the deposit system.

In a traditional beer and soda system, the unclaimed deposits are a function of the overall return rate for the program and the amount of fraud that occurs. In states like Michigan and Iowa which are surrounded by nondeposit jurisdictions, the fraud problem is most severe (compounded by Michigan's 10¢ deposit). While distributors retain unclaimed deposits, it is in their interests to monitor closely for fraud, because an illegally returned container represents a significant liability to them: paying the refund plus any handling fee plus pickup and processing charges is offset only by the scrap value earned. In states where unclaimed deposits are turned over to the state, the distributor's liability is much lower because he stands to lose only the handling fee (if any) and the collection and processing cost net of scrap value. Distributors choose to invest less on enforcement and auditing in states where the unclaimed deposits are turned over to the state.

With the expansion of a bottle bill, the integrity of the system truly suffers. As noted in our earlier comments on nonexclusive beverages, the ability of manufacturers to track sales of deposit containers and collect the appropriate amount of deposit is almost nil. That means that they must pay out refunds, handling fees (if any), and collection and processing fees to a third party without having enough deposits to cover even the refunds paid. Unredeemed deposits do not exist for most manufacturers of noncarbonated products because they pay out far more refunds than they collect in deposits.

After claiming half of unclaimed deposits beginning in 1990 when it expanded its bottle bill, Maine reversed itself in 1995 because it's state liquor agency and many manufacturers were seeking reimbursement from the state for refunds in excess of deposits collected. Dozens of the manufacturers reporting return rates to the state had rates over 100 percent – in fact, many had rates over 200 percent.

Reliance on unclaimed deposits from noncarbonated beverages as a source of funds for the redemption system is an ill-advised approach. Massachusetts proposed increasing its take of unclaimed deposits by expanding its deposit law and seizing the additional unclaimed deposits. Legislators have repeatedly dismissed the issue, however, when faced with the reality that the additional fraudulent redemption and over-redemption would likely drive the unclaimed deposit revenue below the level it is today.

The final source of funding for these distributor-run systems is consumers, who will ultimately pay higher prices for beverages (and other products) when the funds available do not cover the expense of the redemption and collection systems.

Centralized Funding

California and Hawaii have deposit/redemption systems that are funded by state agencies that collect all deposits as well as supplemental fees charged to consumers or businesses. In California the supplemental fee is called a processing fee, which is imposed on manufacturers and therefore hidden in the price of beverages. In Hawaii, the supplemental funds come from the 1¢ deposit container fee, which is paid by consumers at the point of sale. As noted in the subcommittee report, several Canadian provinces also assess fees on consumers, either as direct recycling fees added to the price of the products or as a non-refundable portion of the deposit. In all of these cases, the funds are collected centrally and disbursed to redemption centers.

Centralized funding in the US means establishment of a state bureaucracy to administer funds and enforce the law. All of the administrative and enforcement incentive provided by distributors under the current law goes away and the state assumes the risk of fraud and over-redemption as well as the process of collecting and reimbursing funds and setting reimbursement levels. There are a number of issues with centralized funding and the associated bureaucracy and legislative meddling in the program that we can learn from California, but those are beyond the scope of these remarks.

Conclusions

The financing subcommittee report touches on a complex array of issues that the task force needs to consider in its deliberations. Because other programs and states provide useful perspective on how these issues will play out in Oregon, the American Beverage Association and its member companies wanted to provide an overview of experiences elsewhere. The policy options being considered will affect the state's consumers, economy, and environment in many different ways. We encourage the task force to consider all of these impacts associated with potential changes to the deposit system and we stand ready to assist in that evaluation.

REPORT TO THE OREGON BOTTLE BILL TASK FORCE BY THE DEPOSIT-FRAUD SUBCOMMITTEE

OUTLINE

1. Summary of research and conclusions
2. Discussion and recommendation

SUMMARY OF RESEARCH

Interviews. Interviews were conducted with three people regarding the issue of cross-border redemption fraud, these being:

John Andersen, president of Container Recovery Inc. (CRInc)

Joe Gilliam, president of the Northwest Grocery Association

Kevin Dietly of Northbridge Environmental Management. Kevin is a deposit-law expert under contract to the American Beverage Association and he testified at the Task Force's Bend meeting this spring. Joan Buck, representing the Oregon soft drink industry, asked that he be included.

Conclusions. All three parties had similar opinions regarding five issues.

Technological fix. One option would be to include a special Oregon-only barcode identifier on glass, plastic and metal beverage containers sold only in Oregon. The trouble with this option is twofold: There is no additional room on the current barcode for such an identifier, and because Oregon is such a small market in terms of the beverage industry, producers are unlikely to package specific loads destined only for Oregon. For example, Anheuser-Busch products are brewed and packaged at the firm's giant brewery in Fairfield, California. A-B will not package and ship cans and bottles with an Oregon deposit tag only to Oregon. Rather, the beverage container deposit insignia on the container lists several states (California, Oregon, Hawaii, etc.) and might be shipped anywhere within the brewery's service area, including Idaho and Washington. Consumers in those states can then cross over into Oregon and receive five cents for each labeled container.

Grocer dilemma. The managers of the Hayden Island Safeway and the Interstate Avenue Fred Meyer's have a tough problem. These are the two main stores where residents of Clark County, Washington redeem containers. Some of these containers were purchased in Oregon by Washington consumers and are often brought back to the store for redemption. To then have store personnel accuse them of fraud creates immense problems. Also, because grocers do not retain deposit monies, illegal redemption does not affect them economically. The cost of redemption fraud is absorbed by the beverage industry.

The potential role of redemption centers. Should the deposit program evolve toward a redemption center system, the three experts feel that the potential exists for controlling the fraud problem. In this scenario, personnel at Oregon redemption centers could refuse to handle large loads of redeemable containers delivered by specific Washington residents. Kevin Dietly says this strategy has been employed in the deposit-law states surrounding New Hampshire (a non-deposit state) to reduce fraud attempts by New Hampshire scavengers.

Additional new law. Each of those interviewed said that existing state criminal law is sufficient. As suggested above, this is an enforcement issue, not one necessarily requiring new or revised state law.

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DISCUSSION AND RECOMMENDATION

Two additional factors need to be noted by the Task Force in terms of addressing deposit fraud.

For the past 37 years, the burden of fraud has been placed on franchised distributors and those beverage retailers operating outlets near the Washington border. With the implementation of the bottled water expansion next year in which a single fund will be established, the retailer burden will remain but the cost effect of fraud will now be spread over the entire beer, soft drink and water industries.

In addition, we need to recognize that the potential for legitimate redemption by Washington residents is high, and that such redemption can occur outside of north Portland. Some 22 percent of Clark County adult workers are employed in Oregon, and one-quarter of these work in Clackamas or Washington county. As part of their normal consumer practices, many of these Oregon workers could be buying deposit beverages here.

As a result of the research and this assessment, the subcommittee concludes that the deposit fraud issue can be addressed internally by the beverage industry if the current program is expanded and moves toward a redemption-center model. No additional state action is required for this to occur.

Expanding the List: Beverage Containers from a Material Recovery Perspective.

Energy Savings under the Bottle Bill: 2005 estimates

	Aluminum cans	Glass (as containers)	PET Plastic Bottles	Total	Glass (as aggregate)
Million containers recycled 2005	821.1	228.5	113.5	1163.1	
Tons recycled 2005	13,062	56,187	4,448	73,697	
Million BTUs per ton recycled	206.9	2.7	53.4		0.6
BTUs per container from recycling	3,291	664	2,093		148
Million BTUs from recycling	2,702,426	151,706	237,523	3,091,655	33,712
Gallons of gas equivalent	21,619,411	1,213,646	1,900,186	24,733,243	269,699
# cars equivalent	42,143	2,366	3,704	48,213	526

1 gallon gasoline = 0.125 million BTUs of energy
513 gallons of gasoline used per year by the average light vehicle

Source of the energy savings data:
Waste Management and Energy Savings: Benefits by the Numbers
ICF Consulting and the US Environmental Protection Agency
http://yosemite.epa.gov/OAR/globalwarming.nsf/UniqueKeyLookup/TMAL6GDR3K/$File/Energy%20Savings.pdf

2005 estimates	Material	Million containers disposed	Tons disposed	Million containers recycled	Tons recycled	Million containers redeemed - BB	Tons redeemed: BB
Dep. Beer & Soft Drink	Glass	27.94	7,296	12.00	3,205	228.51	56,187
Water	Glass	0.37	110	0.03	10		
Juice/tea/other	Glass	16.95	5,384	7.90	2,506		
Wine	Glass	11.53	6,622	26.41	15,167		
Liquor	Glass	5.70	3,102	6.26	3,410		
Milk	Glass	0.09	31	0.04	15		
(non-beverage glass)			*10,768*		*13,971*		
Dep. Beer & Soft Drink	Aluminum	172.64	2,916	42.02	702	821.11	13,960
Juice/tea/other	Aluminum	21.56	362	11.68	196		
Juice/tea/other	Steel	5.22	342	3.93	265		
Dep. Beer & Soft Drink	Plastic	54.25	1,895	8.96	313		
Water	Plastic	125.15	2,899	60.62	1,404		
Juice/tea/other	Plastic	82.28	4,456	30.61	1,686		
Liquor	Plastic	3.65	307	1.19	100		
Milk	Plastic	43.47	2,724	37.15	2,328		
Juice/tea/other	Plastic Pouch	29.78	139	0.00	0		
Juice/tea/other	Paper Aseptic	7.38	312	*3.43*	*145*		
Milk	Paper Aseptic	1.52	64	*0.14*	*6*		
Juice/tea/other	Gable-Top	28.44	574	*2.73*	*61*		
Milk	Gable-Top	130.20	2,607	*5.59*	*112*		
Wine	Wine Box	0.21	83	*0.13*	*52*		

Prepared for the Oregon Bottle Bill Task Force
Peter Spendelow, Oregon Department of Environmental Quality

April 1, 2008

Glass:

- Roadside litter is an important issue - since glass breaks
- Most recyclable glass is beverage containers. Only about 19% is jars and non-beverage bottles.
- Almost all Oregon programs collect glass separately from other commingled recyclables, sometimes using a whole separate truck.
- Even in Oregon, significant amounts of glass end up in the commingled mix where they don't belong..
- Glass shards in recycled paper cause hundreds of thousands of dollars of damage at paper mills.
- Energy savings resulting from glass recycling strongly depends on how the glass is used:
    - Refillable bottles provide the best energy savings, but have almost all disappeared
    - Recycling glass to glass saves a reasonable amount of energy
    - Recycling glass to aggregate saves a small amount of energy.
- Most bottle bill glass gets recycled glass to glass
- Significant amounts of curbside glass get recycled into low-grade applications such as landfill drainage layer or landfill road beds
- Wine bottles are few in number but heavy in weight, contributing to 40% of the glass recycled outside of the bottle bill.
- Juice and liquor also have significant market share in glass by weight.

Plastic

- Oregon's Rigid Plastic Container Law: If rigid plastic container recycling rate falls below 25%, manufacturers will need to take significant steps to meet other requirements of the law.
- Oregon was very close to dropping below 25%
- Recycling plastic containers produces significant savings in energy and greenhouse gas generation.
- Significant amounts of rigid plastic containers that are properly prepared and set out for curbside recycling end up being disposed due to poor sortation at the recycling processing facilities. The most recent estimate is that about 22% of these containers end up going to landfill even though they were properly set at the curb.
- Bottle bill plastic has much higher quality and lower contamination rates than curbside plastic
- Almost all beverage containers covered under the bottle bill are made of a single type of plastic - PET.
- Adding water bottles add some other types of plastic to the recycling mix, including small amounts of polyethylene and very small amounts of other plastic
- Adding juice containers will add significant amounts of polyethylene and small amounts of some other plastic resins to the program, requiring further separation.
- Juice, water, and milk containers have significant market share in plastic.

Aluminum

- Very high energy savings from recycling aluminum, in spite of the light weight of the containers.
- The vast majority of aluminum cans are used for beer and soft drink currently covered under the bottle bill.
- Adding tea and juice would put almost all metal beverage containers under the bottle bill, increasing aluminum recovery
- Similar to plastic bottles, high amounts of aluminum cans and other aluminum set out in curbside collection programs ends up not being properly sorted, and end up being left in the paper where they get disposed by the paper mill.

Paper

- Paper beverage containers include gable-tops, aseptic drink boxes, and bag in box beverages such as certain wines.
- Gable-tops, commonly used for milk and refrigerated juices, are currently much more common than aseptic drink boxes, but this is changing.
- Gable-top boxes cannot be recycled with most other paper, due to wet-strength paper. These are best recycled at a facility the specializes in this paper.
- Weyerhaeuser has a program to collect gable-tops and ship them to a mill in Korea that wants this type of paper. Volumes have been declining.
- The paper is high-quality, but just takes different chemistry and more time to pulp
- Gable-tops are included in many curbside programs, but it is unclear how many actually get recycled. High proportions may end up in landfills - especially those that are sent to newsprint mills
- Aseptic drink boxes pulp easier than do gable-tops, but have large yield losses due to coatings.
- Paper containers are increasing in market share, but have a much high market share by count than by weight.
- Milk, milk substitutes, and juice have large market share in paper containers

Other general comments:

- Once redemption centers are established, they should have better economies of scale the more containers that they handle.

REPORT TO THE OREGON BOTTLE BILL TASK FORCE BY THE DEPOSIT-FRAUD SUBCOMMITTEE

OUTLINE

1. Summary of research and conclusions
2. Discussion and recommendation

SUMMARY OF RESEARCH

Interviews. Interviews were conducted with three people regarding the issue of cross-border redemption fraud, these being:

John Andersen, president of Container Recovery Inc. (CRInc)

Joe Gilliam, president of the Northwest Grocery Association

Kevin Dietly of Northbridge Environmental Management. Kevin is a deposit-law expert under contract to the American Beverage Association and he testified at the Task Force's Bend meeting this spring. Joan Buck, representing the Oregon soft drink industry, asked that he be included.

Conclusions. All three parties had similar opinions regarding five issues.

Technological fix. One option would be to include a special Oregon-only barcode identifier on glass, plastic and metal beverage containers sold only in Oregon. The trouble with this option is twofold: There is no additional room on the current barcode for such an identifier, and because Oregon is such a small market in terms of the beverage industry, producers are unlikely to package specific loads destined only for Oregon. For example, Anheuser-Busch products are brewed and packaged at the firm's giant brewery in Fairfield, California. A-B will not package and ship cans and bottles with an Oregon deposit tag only to Oregon. Rather, the beverage container deposit insignia on the container lists several states (California, Oregon, Hawaii, etc.) and might be shipped anywhere within the brewery's service area, including Idaho and Washington. Consumers in those states can then cross over into Oregon and receive five cents for each labeled container.

Grocer dilemma. The managers of the Hayden Island Safeway and the Interstate Avenue Fred Meyer's have a tough problem. These are the two main stores where residents of Clark County, Washington redeem containers. Some of these containers were purchased in Oregon by Washington consumers and are often brought back to the store for redemption. To then have store personnel accuse them of fraud creates immense problems. Also, because grocers do not retain deposit monies, illegal redemption does not affect them economically. The cost of redemption fraud is absorbed by the beverage industry.

The potential role of redemption centers. Should the deposit program evolve toward a redemption center system, the three experts feel that the potential exists for controlling the fraud problem. In this scenario, personnel at Oregon redemption centers could refuse to handle large loads of redeemable containers delivered by specific Washington residents. Kevin Dietly says this strategy has been employed in the deposit-law states surrounding New Hampshire (a non-deposit state) to reduce fraud attempts by New Hampshire scavengers.

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To: Representative Ben Canon, Bob Danko - DEQ

From: Suzanne Johannsen

Date: August 13, 2008

Re: Subcommittee on Redemption / Recycling Rates - Recommendation

Thanks for taking the time to chat with me. Here is the memo I promised to send summarizing our discussion. Questions? Call me at (541) 389-2528.

I. OVERVIEW

During the course of the Bottle Bill Task Force's discussions regarding the future of the Bottle Bill, there have been a number of different terms used to describe the desired outcome from the system. Those terms include: redemption, recovery, recycling, refund, and return. Since each term means something potentially quite different, this subcommittee was convened to make a recommendation to the full Task Force on the measurement and the target rate.

II. CONCEPTS AND METHODOLOGY

Peter Spendelow from DEQ provided a discussion paper for our consideration that outlined some of the differences between the various measurement methodologies and the potential rates for each. The term that best describes the goal of the Oregon Bottle Bill is "Return Rate" The definition of "Return Rate" is the number of containers with an Oregon refund value which are returned to the vendor in exchange for the refund value.

Peter Spendelow provided a number of methodologies for calculating this "Return Rate":

- Total containers redeemed divided by total containers sold.
- Total containers redeemed and recycled divided by total containers sold.
    - This measure is similar to #1, except that containers that are not recovered would not be counted towards the return rate. However, ORS 459A.080 prohibits the disposal of source-separated recyclable material, so the amount of containers returned but not recycled is expected to be very small.
- Total containers recycled divided by total containers sold.
    - This differs from the above two measures in that it counts containers that are recycled through curbside programs, depots, and other collection programs even if they have not been redeemed for their deposit
- Out-of-state container correction.
    - This correction can be applied to any of the above options to take into account containers that are recycled in Oregon but that were not originally sold in Oregon, so no deposit had been paid on the container.

III. RECOMMENDATION

- After discussion, our recommendation is to use the term "Return Rate" as the rate by which the success of the program would be measured. This method is option 1 on Peter Spendelow's report. With the proposed state-wide co-op, the numbers of containers sold in Oregon and the number of containers returned for their refund value in Oregon should be obtainable and reportable.

- The proposed goal for the "Return Rate" under the new system being proposed would be 80%. We based this on the information that Peter Spendelow provided that showed his best estimate of the current rate if it were to be measured in the proposed manner - containers redeemed divided by total containers sold – and if it were to include all containers except milk products.

IV. TIMING and CONSEQUENCES

We did not discuss the deadline for the 80% goal or the consequences for not achieving it as we thought that was beyond the scope of our subcommittee and would be a topic for the full Task Force.

Chair:
John Kopetski

Staff:
Sandy Thiele-Cirka, Administrator
Mike Reiley, Assistant

Members:
Sen. Mark Hass
Rep. Ben Cannon
Non-Legislative Members:
Steven Apotheker
Steve Emery
Dan Floyd
Eric Forrest
Suzanne Johannsen
Jerry Powell

74th LEGISLATIVE ASSEMBLY
BOTTLE BILL TASK FORCE

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900 Court St. NE, Rm. 453-E
Salem, OR 97301
503-986-1286
FAX 503-986-1814

DATE: **May 27, 2008**

TO: **Task Force Members**

FROM: **John Kopetski, Chair**

SUBJECT: **Chair's Preliminary Proposal**

The comprehensive and promising industry proposal for a redemption center system has opened the door for the Task Force to complete its work. Meanwhile, some members have been hesitant to discuss any recommendations until an entire package of recommendations can be considered at once.

With that in mind, I am proposing a beginning package of recommendations to serve as a starting point as we move to finalize our work. This should allow us to address and define the individual components of the package, hopefully culminating in a consensus set of Task Force recommendations.

SB 707 - Task Force Charge

"The task force shall study and make recommendations on beverage container collection and refund matters, including but not limited to:
(a) Establishing and paying for redemption centers to redeem beverage containers;
(b) Expanding the list of beverages to be included in the definition of "beverage" in ORS 459A.700;
(c) Increasing the refund value to be paid when redeeming beverage containers;
(d) Limiting the redemption of beverage containers that are purchased out of state; and
(e) Collecting and utilizing the refund value of unredeemed beverage containers."

Umbrella Recommendations:

(a) Establishing and paying for redemption centers to redeem beverage containers:

Proposed Recommendation: The industry proposal to run a statewide system of redemption centers should be supported. A path to a state-run redemption center system should be included and be implemented if the industry proposal is not implemented.

Chair's Starting Point: **Redemption Center System**

- Industry-run state-wide system of redemption centers

- 90 centers
- Operated by new beverage recycling co-op
- Financed by unredeemed container deposits and other industry financing
- Minimum standards set by OLCC

Chairs Starting Point: **Container Return**

- Unlimited return to redemption centers
- Capped return (50) at large dealers
- Capped return (144) at large dealers in counties without redemption centers
- Capped return (12) at small dealers
- Liquor and wine containers to redemption centers only

Public paid money when returning containers to a redemption center
Public gets in-store credit when returning containers to a dealer (exempting counties without redemption centers)

(b) Expanding the list of beverages to be included in the definition of "beverage" in ORS 459A.700:

Proposed Recommendation: A comprehensive expansion of the list of beverages should occur but the effective date should follow the completion date of the industry redemption center system.

Chair's Starting Point: **Expansion of Beverage List**

- Add sports drinks, coffees, teas, juices, wines, liquors; no milk
- Do not include boxes or pouches

(c) Increasing the refund value to be paid when redeeming beverage containers:

Proposed Recommendation: The refund value of some beverage containers should be increased but the effective date should match the effective date of the expansion of the beverage list. The refund value should also increase if container redemption does not meet expectations.

Chair's Starting Point: **Refund Value**

- Keep at 5 cents for containers less than 24 ounces
- 10 cents for containers 24 ounces or greater
- 25 cents for all wine and liquor containers

(d) Limiting the redemption of beverage containers that are purchased out of state:

Proposed Recommendation: It is in the interest of industry to limit the redemption of containers purchased out-of-state. State law should more clearly make it illegal to redeem containers known to be purchased out-of-state.

(e) Collecting and utilizing the refund value of unredeemed beverage containers:

Proposed Recommendation: The unredeemed deposits should be collected by the state **only** if the industry-run redemption center system is not successful and a state-run system is implemented.

Additional Starting Points:

Government Role

- Approval of or changes in redemption center number and locations (OLCC)
- Redemption center and dealer standards and oversight (OLCC)
- Publicity and complaint response (OLCC)
- Data and reports (DEQ)
- Oversight advisory committee (OLCC)

Recovery Goal

- 80% beverage container return rate for calendar year 2015

Timeline

2009 Legislative Session: Legislature adopts comprehensive bill

July 1, 2012:	Redemption centers in operation by this date Container return limits as above Unredeemed deposits paid to state fund if redemption centers not in operation OLCC can grant 6 month extension for both if close
January 1, 2013:	Beverage list expanded as above Refund value as above
2013 Legislative Session:	If redemption centers not in operation, OLCC/DEQ submit plan for state-run redemption center system
January 1, 2018	If 80% goal is not met for calendar year 2015, all container deposits double beginning January 1, 2018

Miscellaneous

- OLCC keeps enough unredeemed deposits on liquor containers to pay for the Government responsibilities

- OLCC standards and oversight include but not limited to convenience, cleanliness, hours, staffing

- Redemption centers shall work to prevent redemption of containers purchased out-of-state

- Recommendation includes more clearing stating in law that it is illegal to redeem containers that one knows were purchased out-of-state (treat like littering offense)