



November 4, 2013

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Dear Mr. Gjerde:

Verallia North America (VNA) operates 13 glass container manufacturing facilities in 11 states. The company's 4,500 U.S. employees produce approximately 9.1 billion endlessly-recyclable glass containers for beer, food, beverages, spirits, and wine each year.

The glass container manufacturing industry is represented by the Glass Packaging Institute (GPI), which filed comments on September 30, 2013 regarding the Minnesota Draft Recycling Refund Program Design. VNA supports those comments and offers the following comments as well for consideration.

VNA purchases large amounts of recycled glass (known as cullet) for use in its manufacturing process across the United States. Cullet is an important feedstock commodity in VNA's glass production process because it replaces virgin raw materials along with reducing energy consumption and air emissions, including greenhouse gases.

There is a robust market for various feedstock commodities (e.g., PET, aluminum and glass) but there is also an ongoing, enormous shortage today of these materials for the reasons outlined below. While VNA does purchase some cullet from Minnesota, we would certainly purchase considerably more high quality cullet if it were available ... but it is not, even though VNA has been active in establishing glass beneficiator opportunities in St. Paul and continues to be very active with those operations. This is not to say that Minnesota's dedicated efforts to improve recycling (i.e., collection and recovery rates) have gone unnoticed. On the contrary, Minnesota today is widely recognized as a leader as a result of its efforts to develop and implement single stream recycling systems. That recognition has come from a plethora of efforts that Minnesota has undertaken to bolster / improve collection and recovery rates; including volume or weight based pricing, building a high number of above-average-cost material recovery facilities (MRFs), passage of numerous laws to support public recycling, and supplying grant money to build the infrastructure to support the system.

Notwithstanding these laudatory efforts, Minnesota is, like so many other states, finding that single stream systems present difficult challenges because of various sorts of contamination associated with comingling recyclables. Accordingly, while the collection rates have improved as citizens place their recyclables in the curbside "blue bins" rain or shine, week after week, Minnesota has concluded that it is not achieving its recycling goals.

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Minnesota is not alone in facing the collection / recovery rate challenges; i.e., the more recyclables collected via single stream the greater the difficulty in significantly improving recovery rates of uncontaminated recyclables. Recovering a product that is usable by glass container manufacturers from single stream collection has been referred to as “unscrambling an egg” since a wide and diverse array of recyclables are placed in the same bin. While single stream may improve the “collection” of “all” recyclables, there is no question that the “recovery rate” of recyclables declines for feedstock commodities because the byproduct from single stream collection is highly contaminated and much less valuable. Due to that high level of contaminants, single stream material requires extensive processing through highly technical and very expensive sorting equipment. Even with the state-of-the-art equipment available today, contamination remains after processing, creating a number of production and quality issues for the glass container industry. Cullet that originates from bottle bill states has virtually none of these issues.

Minnesota has recognized that there has to be a better way to address these challenges and that now is the time to take a fresh look with respect to improvement opportunities, including evaluating a draft beverage container deposit system. There is an ongoing and robust debate today on the pros and cons associated with “bottle bills” and I’ve attached a recently published article from Glass International in which I attempted to outline this issue more clearly.

As discussed in the article and a bit further below, it is undisputed that the recovery rates for aluminum, PET and glass beverage containers cannot be matched by any other collection system. This does not mean, however, that single stream systems and bottle bills are incompatible. To the contrary, as Minnesota moves forward in its review, a bottle bill could be the lynch pin in the development of a model which improves overall recovery on a cost-effective basis. Even though none of the 10 current bottle bills are exactly alike and while there are certainly opportunities to improve bottle bill design, it is undisputed that bottle bill states have very high rates of return of uncontaminated material for recycling. A number of bottle bills have been in place for many years and consistently demonstrate the high rates of return, with an average of 82% overall. In fact, more than 65% of all the recycled glass today comes from the 10 bottle deposit states providing those tons and yielding very high quality material for remanufacturing. That being said, VNA believes that a well designed / implemented single stream system can be far more effective when operated in parallel with a well designed / implemented bottle deposit system. Those systems are already in place today in the 10 states with bottle bills and would substantially reduce the more than 2.4 billion beverage containers that Minnesota currently landfills each year. This would also provide Minnesota with the opportunity to reduce litter, collection costs, and tipping fees while capturing millions of dollars in feedstock commodities for which there is a ready market.

As I indicated above, each bottle bill is different so I note that the draft Minnesota Recycling Refund Program for Beverage Containers with a 10 cent deposit would add an additional 160,000 tons of high quality aluminum, plastic and glass to the commodity markets for remanufacturing beyond what is collected today. The total value of these commodities would be worth more than \$65 million dollars annually and the system would exceed the recycling goal that Minnesota has set. That being said, it should be noted that if a 5 cent deposit were to be adopted, it would collect about 10% fewer tons of material; but, based on the experience of the other 10 bottle bill states, it would also function at a level that would likely achieve the Minnesota recycling goals. Accordingly, VNA would welcome the opportunity to discuss this particular design element further.



As a purchaser of hundreds of thousands of tons of cullet each year from a wide variety of sources across the United States, VNA's real world experience with recycling systems, including bottle deposit systems and single stream programs, allows us to observe which are successful and what systems struggle. Accordingly, VNA fully supports the Minnesota efforts toward a bottle deposit system as it will most certainly move Minnesota into that category of very high recovery rates for all the recyclables covered.

Thank you for allowing us to provide comments on this important effort. We look forward to responding to any questions you might have.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stephen A. Segebarth".

Stephen A. Segebarth  
Sr. V.P. Government Relations, Regulatory Affairs & Law

SAS/sf

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