

November 1, 2013

Wayne Gjerde
Recycling Market Development Coordinator
Minnesota Pollution Control Agency
520 Lafayette Road N
St Paul MN 55155

RE: UPSTREAM Comments on the Draft Program Design for a Recycling Refund Program for Beverage Containers in Minnesota

Dear Mr. Gjerde,

My name is Matt Prindiville, and I'm the Associate Director for UPSTREAM (formerly the Product Policy Institute). We are a national environmental policy organization dedicated to creating a healthy, sustainable and equitable society by addressing the root causes of waste. We develop model policies and educational materials, and organize stakeholders to help public interest groups, government officials, leading companies and everyday people advocate for product stewardship initiatives, where consumer goods companies are responsible for reducing or eliminating the environmental impacts of their products. We work closely with Eureka Recycling and several local government organizations in Minnesota, and our staff has worked on container-deposit legislation in several states as well as national legislation in Congress.

We write in support of the proposed draft program design for beverage container deposits.

Over 40 years of data from states with container deposit laws clearly demonstrate that these initiatives accomplish four important outcomes in the public's interest. Container-deposits:

1. Dramatically boost recycling rates for beverage containers in comparison to municipal recycling programs.
2. Significantly decrease litter and pollution to waterways.
3. Preserve the inherent value of recyclable materials far better than municipal curbside programs.
4. Create entrepreneurial opportunities, economic development and jobs, at considerably greater rates than existing recycling systems.

In addition the arguments used against the proposal by the Minnesota Beverage Association and other trade associations do not hold up under close scrutiny.

1. If implemented as proposed, container deposits will have little to no negative financial impact on existing recycling programs as local governments will be able to redeem the beverage containers they collect, replacing lost revenue from losing aluminum containers to privately-run redemption centers.

2. Cross-border fraud claims by the beverage industry have been proven to be wildly overstated and inaccurate, and do not constitute a significant reason to recommend against deposits.
3. Public surveys show, time and again, that citizens love bottle bills and widely support them when implemented.
4. Building new recycling infrastructure and providing citizens with further opportunities to recycle is a reason to support container-deposits, not oppose them.

In detail, container-deposits:

1. **Dramatically boost recycling rates for beverage containers in comparison to municipal recycling programs.** Beverage containers achieve an 80% average recycling rate in bottle bill states. This is two and a half times better than the rate in states that rely primarily on curbside recycling systems without consumer incentives.¹ Part of the reason for this is that deposits signal to the consumer that the container has value. When people spend the nickel or dime on the deposit, they know that the container should be kept out of the trash so they can get their money back. In states without deposits, beverage containers are routinely thought of as garbage and if a recycling receptacle is not in close proximity, the container will be trashed.

Another reason for these higher recycling rates is that deposits apply to all beverage containers consumed in the state – at home, work, school or on the go – and provide an incentive to recycle wherever beverages are consumed. In comparison, municipal recycling generally applies to households whether through curbside pick-up or transfer station drop-off. This leaves out the consumption of beverage containers in all other places where they are consumed. For commercial establishments, if recycling is perceived as a greater headache than trash disposal, many will choose not to do it. In bottle bill states, nearly all commercial establishments, including restaurants, campgrounds, hotels and convenience stores, choose to recycle beverage containers because of the containers' value – it has now become “worth it” to recycle.

2. **Significantly decrease litter and pollution to waterways.** Beverage containers account for 40% to 60% of all litter in non-deposit states.² Deposits significantly decrease litter by preventing it in two ways. The primary reason is that the value of the deposit is an incentive for people to redeem their container and a disincentive to litter it. Secondly, for people that don't care about the deposit and litter anyway, someone else is happy to pick that container up and get the deposit. Data shows that deposits are wildly successful at preventing litter. In Hawaii, the most recent state to pass a bottle bill (implemented in 2005), beverage container litter declined by 60% over the first three years of the initiative.³
3. **Preserve the inherent value of recyclable materials far better than municipal curbside programs.** There is no question that deposits lead to collection systems that better preserve the value of the materials primarily through source separation of the materials at redemption centers.

¹ “Bottle Bills Promote Recycling and Reduce Waste.” Container Recycling Institute.

<http://www.bottlebill.org/about/benefits/waste.htm>

² “Environmental Consequences of Beverage Container Waste.” Container Recycling Institute. <http://www.container-recycling.org/index.php/all-about-beverage-container-waste/272-environmental-consequences-of-beverage-container-waste->

³ *International Coastal Cleanup: 2003-1010.* Ocean Conservancy.

This is in contrast to municipal recycling programs which increasingly utilize single-stream recycling systems where people throw all the containers and paper into one bin. With single-stream, glass breaks and some plastic shreds into smaller pieces which cross-contaminate the other, more valuable materials. Glass recovered from single-stream is generally unable to be recycled into higher-value products, like new bottles and fiberglass insulation, and is instead downcycled into road aggregate and landfill cover. Food containers containing residues also pollute the recyclables, whereas separating beverage containers prevents their contamination.

Deposits provide economic incentives to source-separate covered containers, which leads to cleaner, more valuable materials that can be readily utilized by American manufacturers. When these same containers are collected by single-stream operations, the contamination lowers their value and their ability to be utilized by US companies. Sadly, much of our “recycled” materials are shipped offshore to countries which employ inexpensive manual labor to sort through the contaminated recyclables. Cleaner materials mean more of the recyclables can be used here at home, leading to more American jobs.

4. Create entrepreneurial opportunities, economic development and jobs, at far greater rates than municipal recycling. In 2011, The Container Recycling Institute (CRI) conducted an exhaustive study⁴ on the job impacts of container-deposit-refund systems. Their chief findings were that:

- **“Deposits create more jobs than curbside recycling relative to beverage containers.”** CRI estimates that collecting bottles and cans through container-deposit systems yields 11 to 38 times as many jobs as collecting these same containers in curbside recycling programs.
- **“Material throughput is the primary driver for recycling jobs.”** This essentially means: “the more stuff you collect for recycling, the more jobs you create.” Because states with bottle bills collect almost three times more beverage containers than non-bottle bill states, CRI documents that they commensurately reap the benefits of the added jobs associated with collecting more material for recycling.
- **“The secondary driver of container-recycling jobs is the amount of workers required to collect, sort and transport the containers.”** With regards to job creation, bottle bills succeed here again due to the decentralized, entrepreneurial nature of container-deposit systems versus municipal recycling. According to the Minnesota Beverage Association, the bottle bill would lead to the establishment of 1,100 redemption centers. When you factor in the staff required to run these centers and the trucking and processing, you’re talking about a significant number of new jobs in the state of Minnesota to properly manage these containers as resources, and ensure they don’t become public liabilities.

The CRI report complements another 2011 report by the Tellus Institute, which estimates that 1.5 million new jobs can be created by increasing the US recycling rate from 33% to 75%. When you consider that states with container deposit laws already achieve between 70 and

⁴ Morris, Jeffrey and Clarissa Morawski. “Returning to Work: Understanding the Domestic Jobs Impact from Different Methods of Recycling Beverage Containers.” Container Recycling Institute: December 2011. <http://www.container-recycling.org/assets/pdfs/reports/2011-ReturningToWork.pdf>

90% recycling rates for beverage containers today, increasing and expanding bottle bills makes a lot of sense for new job creation.

Here is our response to the arguments used against the proposal by the Minnesota Beverage Association and other trade associations:

- 1. If implemented as proposed, container deposits will have little to no negative financial impact on existing recycling programs as local governments will be able to redeem the beverage containers they collect, replacing lost revenue from losing certain containers to privately-run redemption centers.** Generally speaking, waste packaging is not a public good, it is a public liability. With the exception of a handful of commodities (like aluminum), recycling is a losing financial proposition for local governments. For nearly every category of product discards, it costs more to collect the materials than you can get from selling the scrap.⁵ Some make a case for municipally-funded recycling by arguing that recycling costs less than landfilling or incineration, and therefore pays for itself. However, when the responsibility and costs for recycling are transferred to producers (in this case, beverage companies), then there are no costs for local governments or ratepayers and the former argument is rendered moot.

It is true that container deposits will pull aluminum - which is the only material in curbside programs that has a net-positive value⁶ – and other containers of lesser (negative) value out of the existing recycling infrastructure. However, under the proposal, local governments are allowed to redeem any containers they collect, which will offset lost revenues from transferring beverage container recycling to redemption centers. In addition, local governments will no longer have the burden and costs of collecting and processing these containers. In Maine, when the beverage industry proposed exempting larger containers from container deposits, the Maine Municipal Association vigorously opposed the bill due to the added costs to Maine municipalities from collecting and managing the influx of new materials, primarily PET plastic.

Similarly, Massachusetts currently has a bottle bill that includes only soda and beer, and deposit advocates are working to expand their program to include water and other beverages. The vast majority of these new beverages they are trying to add are in PET bottles. A study commissioned by the state shows that municipalities would save \$5 to 7 million per year from not having to collect and process these containers (both in the trash and recycling bins), and from not having to collect the littered containers. To date, over 165 municipalities in MA have passed resolutions asking the legislature to expand the state's bottle bill.

Finally, to say that deposits will somehow hurt businesses is misleading at best, as deposits create more entrepreneurial activity, more business opportunities and more jobs than curbside recycling. In short, deposits are better for business than the status-quo, even in states that recycle a higher percentage of their waste stream like Minnesota. The data is clear on this. If you collect more materials and manage them properly through source separation which is more labor-intensive, you will create more jobs. Container-deposits change the economic landscape for recycling by assigning value to beverage containers, which in turn create entrepreneurial opportunities to

⁵ *The Myth of Valuable Curbside Materials*. Product Policy Institute. August 2013. Using data provided by Stewardship Ontario - <http://www.stewardshipontario.ca/>

⁶ Ibid.

steward that value through the container's life cycle. Deposits may upset the business model of a large waste hauler and MRF operator like Waste Management, but they create many more business opportunities (and jobs) than are impacted by upsetting some existing commercial arrangements.

- 2. Cross-border fraud claims by the beverage industry have been proven to be wildly overstated and inaccurate, and do not constitute a significant reason to recommend against deposits.** Recently, a beverage “industry expert” was quoted in the LA Times saying that the amount of fraud in the California deposit system could be as high as \$200 million – a completely unsubstantiated claim with no evidence to back it up.⁷ According the Container Recycling Institute, in order for that number to be true, it would require 2/3 of all containers generated in Arizona and Nevada to be trucked across the border to California for redemption - a completely preposterous scenario at best. A more fair comparison is to look at fraud estimates in other bottle bill states. As a baseline, in Hawaii, a state without any cross-border fraud, the redemption rate is 76%. In Maine, a state surrounded by bottle bill states and provinces (with the exception of New Hampshire) and arguably minimal fraud due to that fact, the redemption rate is around 90%. In California, the rate is 82% with 8% coming from redemption through curbside programs, a policy feature the other states don't have. While some cross-border fraud is likely to take place by unscrupulous individuals, the benefits of deposits far outweigh any fraud implications in the system. When more states with connecting borders pass deposits, such as in the Northeastern United States, the incentives for fraud disappear.
- 3. Public surveys show, time and again, that citizens love bottle bills and widely support them when implemented.** In Vermont, a state with one of the oldest container-deposit laws, statewide polling showed that 93% of Vermont citizens support the bottle bill.⁸ 80% would like to see it expanded. The argument from the Minnesota Beverage Association that after deposits are passed, existing recycling systems would switch back to multi-sort recycling, and therefore a hassle for the consumer, is unsubstantiated and misleading at best. All bottle-bill states have either single-stream or dual-stream recycling operations and curbside recycling for populated areas.
- 4. Building new recycling infrastructure and providing citizens with further opportunities to recycle is a reason to support container-deposits, not oppose them.** For many years, the beverage industry has made the claim that increasing curbside recycling programs and scattered public space recycling will boost recycling rates, and therefore deposits aren't needed. However, the evidence does not back this up. In the last twenty years access to curbside recycling has increased from 15% to more than 60%. Despite this increase in convenient curbside recycling, beverage container recycling rates declined during this period.⁹ Conversely, in bottle bill states, collection rates average 80%. Although, these states make up only 28% of the nation's population, they were responsible for 42% of all containers recycled in 2010.¹⁰

⁷ Thomas, Jake. “California Redemption Fraud in Spotlight Again.” Resource Recycling: October 2012. <http://resource-recycling.com/node/3157>

⁸ “Bottle Bill is Strongly Supported by Vermonters, Polling Shows.” Vermont Public Interest Research Group. <http://www.vpirg.org/news/bottle-bill-is-strongly-supported-by-vermonters-polling-shows/>

⁹ Gitlitz, Jenny. “Bottled Up: Beverage Container Recycling Stagnates – US Container Recycling Rates and Trends: 2013.” Container Recycling Institute: November 2013. <http://www.container-recycling.org/images/stories/PDF/BottledUp-BCR2000-2010.pdf>

¹⁰ Ibid.

Part of the reason why curbside recycling has not delivered increased recycling rates is because cash-strapped local governments are broke. With local governments saddled with projected deficits of over \$100 billion dollars,¹¹ they cannot afford to maintain or expand recycling infrastructure, services or outreach and education efforts—or do so at the expense of vital services. Recycling programs compete against police, fire, schools, libraries, parks, and pensions for funding. In Baltimore County, MD, the Council proposed borrowing \$25 million from the pension fund to build a new County recycling facility.¹² Newsprint was traditionally the most cost-effective material in many residential curbside programs.¹³ Yet newsprint consumption is declining dramatically, and has already declined 50% between 2000 and 2011.¹⁴

Deposits create economic incentives to build recycling infrastructure, create new businesses or expand old ones, conduct education and outreach campaigns, and provide more opportunities (and a financial rationale) for citizens to recycle beverage containers. These are some of the reasons why they have been so successful, and why they should be adopted.

Additionally, there is no disconnect between container-deposit systems and curbside operations existing side-by-side. In 10 US states, nearly every Canadian province, many EU countries and Australia, deposit initiatives work side-by-side with curbside programs, which can be funded by local governments, ratepayers or by producers in extended producer responsibility programs.

In closing, we know that Minnesota is also evaluating extended producer responsibility (EPR) for packaging without deposits as well. Beverage containers make up 6% of the total municipal solid waste stream by weight and 20% of the greenhouse gas emissions that could be saved through recycling for all municipal solid waste. They make up 15% of the total of post-consumer packaging by weight, which leaves an additional 85% of post-consumer packaging that also needs to be managed. Fortunately, there are good models in existence and being developed that have a) EPR for beverage containers through deposits and b) EPR for all other packaging through producer-funded recycling that utilizes and expands existing infrastructure. Most important to North American jurisdictions, British Columbia is implementing EPR for packaging, while preserving and promoting its EPR-deposit law for beverage containers.

When implemented properly, extended producer responsibility (both deposit and non-deposit systems) can substantially increase recycling rates, reduce energy use, and reclaim billions of dollars of embedded value being buried in landfills or burned in waste incinerators. Both deposit-based EPR for beverage containers and EPR for all other packaging should be pursued by jurisdictions that are serious about meeting aggressive recycling targets, lowering costs to local governments and taxpayers, growing jobs and building a more sustainable economy.

Thank you for the opportunity to comment. I can be reached for further inquiry at matt (at) upstreampolicy.org, or at 207-902-0054.

¹¹ MacKerron, Conrad. “*Unfinished Business: The Case for Extended Producer Responsibility for Post-Consumer Packaging.*” As You Sow. July 2012. <http://www.asyousow.org/sustainability/epreport.shtml>

¹² Knezevich, Alison. “*Baltimore County borrows \$25 million from pension fund for recycling facility.*” The Baltimore Sun. August 02, 2012

¹³ David Refkin, “*Steep Decline in Newspapers Positions EPR as Vital to the Long Term Financial Health of Many Curbside Recycling Programs.*” Recycling Reinvented [Blog](#), October 2012.

¹⁴ Ibid.