

Beverage Container Model within Zero-Waste Context:

Thank you for the opportunity to comment on the beverage container recovery model. We recognize beverage container deposit legislation is an effective tool towards zero waste which is a demonstration of our mission. While the proposed recovery model is a beginning to an important conversation, the economic model misses important opportunities for source reduction and simplifies some impacts that could have greater consequence than has been identified in the model.

As presented, the context around this cost-benefit report is primarily related to the 2007 MPCA recommendation to reach 80% diversion rate while considering direct economic impacts to households, the recycling industry and communities. We believe that there are additional important zero-waste goals that need to be defined to help guide an effective beverage container recovery program. Since we are an environmental, mission-driven organization with a fleet and a MRF (Material Recovery Facility) that help us to demonstrate our mission, we also have some direct experience to speak to the potential impact to these systems.

Recommended Zero-Waste Goals Include:

- Fitting the 80% beverage container recycling goal into the overall waste reduction efforts and infrastructure investments currently working in Minnesota. Learn from the past by addressing prevention first. Co-create this or another system simultaneously to address all packaging—not just beverage containers.
- Prevention again—promotion of refillables and other, more sustainable packaging is missing from this system (protect businesses who invest in refillables by making them have the lowest costs for material handling/value in this system).
- Promoting local markets for recyclable commodities and sustaining or increasing the local economy.

Many have scoffed at the “haulers’ ” concerns and, while we do not consider ourselves a “hauler,” we believe that an authentic conversation about those concerns with an eye to the goal of zero waste may shed some light on parts of this report that miscalculate the impacts of this model. While we operate a fleet and a MRF, our bottom line is and always has been zero waste and if that means that fleets and MRFs will not be needed because we have gotten to zero, then so be it. While we do not agree with all of the claims of the “haulers”, which is evident in our general support of container deposit legislation, we will only support a model that truly acknowledges and authentically attempts to address the actual impacts to the system that is in place.

We assume this report will not be supported by haulers who depend on the income that this report suggests will be lost. We think this is because this report provides no evidence to support that. The chambers of commerce and the solid waste organizations won't support this because they traditionally defend the “haulers.”

This continued positioning that haulers are self-protecting and their comments are not valid versus hauler's concerns about their businesses and their ability to survive these changes will not get us what we want, to increase recycling and reduce waste.

While there may be some strategy that surmounts the haulers' opposition, what is missed in this accounting is that **any loss of revenue/increased cost that the "hauler" incurs will be passed on to the greatest extent possible, to the customers; the municipalities and the residents of Minnesota.**

Our specific comments about this report are within the context described above: a zero-waste organization with an on-the-ground understanding of the operations that are discussed in theory throughout the report. While the system the report has laid out can likely bring us from our current 45% to 80% diversion for beverage containers, without looking at the bill design within this context, the costs are not reflected accurately. As a result we can expect unintended consequences that will impact the environment, local economy and jobs. We think this can be remedied by the following recommendations.

1. Prevention

- A. We can reduce (or even eliminate) the impact of single-use bottles by returning to refillable bottles, where consumers return reusable bottles to the manufacturers to be used again and again. Before the relatively recent introduction of disposable plastic bottles, bottle bills were created to support refillable bottles. According to the Beverage Packaging Environment Council, 31% by amount (34% by weight) of all beverage containers are consumed away from home. According to Fast Company Magazine, Americans went through about 50 billion plastic water bottles—or 167 for each person—in 2006. About 40 billion of these bottles were wasted, becoming either litter or garbage.

Recommendation: The proposed system would put a deposit on refillables and single use bottles. In order to encourage refillables, we recommend that the refund system incentivize refillables through the unredeemed deposit values and not put the cost of the first deposit for refillables on the consumer.

Recommendation: The system should include a financial mechanism to charge producers more for non-refillable bottles.

2. Redemption Center Model:

- A. On page 10, the report specifically defines redemption centers as "for profit". However, page 5 notes that "Redemption Centers may be operated by retailers (on a voluntary basis), local government, charitable/non-profit

organizations, and solid waste facilities (such as materials recovery facilities or transfer stations).”

Recommendation: While it may not have been intended to designate only “for profits” on page 10, it should be clear that nonprofit or other structures should not be eliminated from running these facilities.

- B. The system is currently designed to encourage independent redemption centers to be created through a financial incentive to collect the handling fee, but specifies that MRFs would be exempt from collecting the handling fee. In some cases, MRFs can more efficiently handle the material with other commodities they are already baling and sorting for end markets (see further comments on baling section).

Recommendation: Leverage the existing recycling capacity where available by allowing MRFs to collect a handling fee.

- C. Because of the significant economies of scale achieved through high volumes, small local companies will struggle to compete.

Recommendation: A free-market approach to this system will not provide the best local economic development benefits. Create a mechanism to promote smaller (which are generally local) businesses and allow them to compete.

3. Redemption Centers Incentive to Collect from Bars and Restaurants:

- A. The report, on page 10, describes a model that will incentivize redemption centers to collect from bars and restaurants, but there is no financial analysis of the impacts of this system. As this is an economic model it should at least be acknowledged that it is not addressed. This system will compete with existing recycling infrastructure, affecting businesses that serve bars and restaurants now, and will affect the local economy. While this may be the intention of this system it is not accounted for in the cost of the program. Beyond losing the direct redeemable bottle stream, we believe that pulling out this valuable material could disincentivize the recycling and composting of other materials at these businesses because of the loss of collection efficiencies and space capacity for these businesses to sort additional streams.

Recommendation: Conduct further analysis on the impact of the proposed collection of redeemable containers from bars and restaurants to the recycling and composting of other materials.

4. Participation Impact of Redemption Center Locations and Convenience Requirements:

- A. The voluntary participation of point of sale retailers presents a different convenience scenario as related to other redemption programs. Several studies evaluating drop-off recycling have shown that participation decreases as distance increases. The minimum number of redemption center locations required per population outlined in the report will not provide the level of convenience for bottle returns that is provided by other programs, where bottles can be returned to point of sale. More than two dozen counties in rural parts of the state will only qualify for one redemption center based on the current population requirement. This will require long distance driving to redeem bottles, making it much less convenient than purchasing them.

Recommendation: Provide further analysis regarding the impact of the convenience requirements to participation as well as the resulting environmental transportation costs due to driving to redemption centers.

5. Baling Facilities and Use of Existing Recycling Baling/Sorting Capacity:

- A. The baling facilities in the current design will be set-up according to a competitive bid process. We assume that the writers of the report did not intend to create a parallel system of baling to the current infrastructure and local economy, but the report does not make this clear. Another unintended result of developing new baling facilities could be additional trucks shipping material to the same markets resulting in negative environmental impacts.

Recommendation: The system should use existing recycling infrastructure by assigning baling capacity to existing MRFs proportionally based on the amount and type of materials they will be losing.

6. Impact to Existing MRFs and Revenues:

- A. The report proposes MRFs be allowed to deliver redeemable bottles directly to baling facilities and receive the redeemable value but not the handling fee. The estimated loss of revenue to MRFs statewide is \$0.6 million based on an assumption that MRFs will sort out non-redeemable containers from

redeemable containers, meet the specifications for redemption and receive the redemption value, (this is excluding all glass bottles which are assumed to not be recovered). If this is possible it would obviously be done at a greater cost to the MRF than they now experience but there is no accounting for that in this model.

Recommendation: Do additional analysis around whether such sorting is feasible, financially and operationally, in order to understand the impact to the existing recycling sector and the local economy.

We believe there is an additional unrecognized cost to MRFs that will result from a higher percent of fixed costs being allocated over less tons after losing the estimated tons in this report. In addition, it is unknown what the impact on processing costs for non-bottle bill materials will be from a new composition of materials that will run on equipment built and invested in before the removal of these containers. A possible solution is to allow ownership of the containers to stay with the MRF.

Recommendation: Analyze the cost of allowing MRFs to maintain ownership of the bottles and market redeemable beverage containers and unredeemable beverage containers together and/or other means of making up for this increased cost so that it does not get passed to the municipality. *(The MPCA and BCRO could do periodic composition analysis along with estimates of unredeemed bottles in the state to set what percentage of different material types are redeemable and use that to fairly distribute redemption value to MRFs.)*

7. Additional Costs to Producers and Incentivizing Environmental Packaging:

- A. Regarding covering the deficit incurred by the system, the report notes on page 18 that “the method of apportionment of this deficit to distributors will be a decision that the board of directors of the BCRO will make – it is very likely that distributors who package their beverages in low net-cost materials such as aluminum will pay low or no additional fees for their aluminum cans, whereas they will be assessed higher cost rates for materials such as glass.” In addition the proposed system gives the BCRO control of where materials are marketed. The proposed structure of the BCRO is an unbalanced slant towards industry control.

Recommendation: The BCRO should be comprised of consumers who pay the deposit by a majority and those consumers should have no ties or interests in the impacted industries.

Recommendation: Create a financial mechanism for refillables that levels the playing field

Recommendation: Create a mechanism to ensure that material is directed to markets most environmentally and economically beneficial to the community (not just financially beneficial to the industry). This would include the creation of minimum definitions for what are acceptable recycling end markets and independent verification and reporting of the ultimate use for material redeemed. British Columbia has very effective reporting requirements that could be looked at.

8. Impact to Municipalities and Households

- A. The report notes a potential savings of \$0.09 per household per month will be realized as a result of efficiencies in collection due to less volume and getting rid of mid-day dumps. This makes the assumption that any savings will be passed on to households and/or municipalities. There is no mechanism in place that would result in these savings being passed on to municipalities and/or households. The report assumes that the household/municipality will see savings for less volume and tip fees in disposal. Again, it is unlikely that any savings would be passed on to residents without creating an incentive in this system.

Recommendation: Develop a system, such as making the current “Pay as You Throw” system functional, to allow the realization of savings to households through reduced garbage costs.

- B. Because the increased processing costs to MRFs are not adequately analyzed the impact of revenue share loss to the cities is not adequately analyzed.

Recommendation: Further analyze the impact of revenue share loss.

9. Further unrepresented impact on Existing Recycling programs:

- A. A \$.10 deposit encourages residents to participate in deposit system and not to put redeemable bottles in curbside programs. The report does not address the impact of scavenging and how scavenging can impact resident’s trust and willingness to put other materials in the recycling. There must be studies that can provide some insight into the impact of this so that the “cost” can be accounted for in this model.

Recommendation: Further analyze the impact of scavenging on participation in recycling.