



October 17, 2014

**Dear Indiana Interim Study Committee on Environmental Affairs Members:**

In response to questions received from Members at the September 25, 2014 hearing on recycling, **the Glass Packaging Institute (GPI) is pleased to provide the following background on potential costs and elements for a modified bottle bill program for Indiana, as well as important background and information on the former Delaware bottle bill program.**

**To be clear, the program outlined below could be used to merge existing and future single stream collection systems, with a modified, fully refundable “bottle bill” program for the state.**

The findings presented were developed through Resource Recycling Systems (RRS), a third party consulting firm, and was commissioned in part by the GPI. Known elements relating to costs and material recovery to both industry and the state are highlighted.

The “Optimized Bottle Bill” (OBB) Study analyzed two different states, Vermont (which has an existing bottle bill program, as well as single stream operations), and Minnesota (which relies in large part on single stream collection only). By utilizing existing single stream collection and recycling processing facilities, the model developed a “hub and spoke” network, at which collection facilities within a certain mile radius would send collected recyclables to be sorted, cleaned up, and resold to end markets.

The question of “cost to the state” was raised during the hearing. The vast majority of any “costs” would be borne by the recycling, hauling and end-use markets. Many of these industry players would actually be reimbursed through the program, paid for by the unclaimed nickels (the “deposit”), should a consumer decide not to return his or her container for redemption.

To use Oregon as an example (another state with a bottle bill program), the state’s total cost consist of minimal administrative department time to oversee the program. Given the enormous benefit of the bottle bill to the entire recycling chain, we believe this relatively low cost is extremely reasonable.

The OBB Study would provide the unclaimed nickels (deposits) to those players within the system, primarily the materials recovery facilities (MRFs), which would lose some revenue (estimated to be 5% of the total value of recyclables now headed to the MRFs)

due to aluminum and other containers sent to a bottle bill collection system, and subsequently removed from existing single stream programs.

The Study also took into account the increased value of the remaining single stream system materials, due to less sorting and operational costs at the MRFs (primarily the PET and glass that would be removed from the single stream curbside collection and placed into the bottle bill program).

If the modeling laid out in the OBB Study were implemented in Indiana, the potential cost to run a merged bottle bill and single stream program could be 20-30% lower than running a single stream program by itself. **The exact numbers for potential cost to Indiana can be better known after the hub and spokes, redemption centers and commodity values are specifically researched, however to reiterate, any costs to state taxpayers and the state would be minimal.**

The revenue from the Study also included “soft costs,” which would be paid out from the unredeemed deposits. These soft costs could be formulated to pay additional players within the recycling systems, based upon program performance. For example, some of that money could be used to provide a handling fee for those operating redemption centers. The amount of money and funding available to pay out ongoing program costs is based upon an 80% redemption rate for the program, which is the average rate of return for the 9 states that currently have a 5-cent bottle bill program in place.

The broader benefits of a merged bottle bill and single stream system are numerous. Overall collection recycling rates for all materials are estimated to be 10%-12% higher, and collection of covered beverages containers are estimated to increase by 162%. More collection and processing of materials means that less solid waste is headed to landfills, saving limited space, and reducing the amount of money paid by many municipalities and cities in tipping fees.

The Study also examined the benefit of utilizing “redemption centers,” where consumers can return their containers for a refund. The redemption center model is utilized heavily in Oregon and other states, and has drastically reduced the need for consumers to return to their containers to retail. The Study estimated that, once established, these redemption centers could reduce the amount of containers being returned to retail by 50%-80%, dependent on their placement. These redemption centers should greatly alleviate concerns of crowding and related issues at smaller retail stores.

Among the elements not included in the OBB Study were the initial start-up costs to provide refunds to customers, when the deposits would be initially made. Each state takes a unique approach to building up a base of adequate funding to ensure consumers can receive their deposits back in a timely manner. Many have opted to have distributors and manufacturers pay minimal handling fees leading up to the beginning of the program.

The Complete OBB Study can be viewed by clicking below:

<http://gpi.org/sites/default/files/OBB%20Model%20Overview%20and%20Results%20FINAL%201-14-14%20-%20FOR%20RELEASE%5Bsmallpdf.com%5D.pdf>

### **Background on Delaware Container Deposit Refund Program (Bottle Bill)**

GPI would also like to provide some clarity on remarks made at the hearing regarding the success of the current single stream recycling program in Delaware, and background on the state's bottle bill program.

In 1983, a 5-cent refundable deposit was initiated on all carbonated beverages and beer for aluminum, plastic and glass beverage containers in Delaware. However, in 1994 through legislation, aluminum beverage containers were excluded from the program, leaving only smaller glass beer bottles and single-serve plastic carbonated beverages (primarily soda) remaining.

**This new and very narrow focus only covered roughly 19% of the beverage container stream and impacted the effectiveness of the program.** No other state with a container deposit refund program in place covered such a low percentage of beverage containers. Due in large part to this narrow focus, the average rate of return for Delaware covered containers was estimated to be only 35%. In contrast, all other states with a 5-cent deposit on a fuller complement of beverage containers was and remains to this day roughly 80% - making these recycling programs one of the most effective in existence.

During the initial effort to repeal the bottle bill, Delaware Governor Jack Markell was sent legislation that he ultimately vetoed, due in large part to public backlash from repeal of the program. Even with low participation rates, the public still supported the law. The Governor received hundreds of letters and communications requesting he leave the container deposit refund program in place. When it was eventually repealed the next year, universal single stream recycling was required to be made available for residents and businesses, phased in over time.

**Delaware's statewide single stream recycling is funded in large part through a 4-cent non-refundable tax on beverage containers covered in the previous container deposit refund program.** **Point of purchase sales on all glass beer bottles and smaller carbonated beverage containers are the only containers impacted.**


**According to the Delaware Annual Report of the Recycling Public Advisory Council (RPCA), (issued in November of 2013), recycling for glass containers was down by 3,800 tons in 2012.** Only 332 tons of glass was reported as recycled in the entire state for 2012. The Report specifically cited the removal of the bottle bill program as a reason this drop occurred.

In summary, the customers of the glass container industry are paying the lion's share of costs for a statewide single stream program that the glass container industry sees no

benefit from. We believe this program is riddled with current and future challenges, related to contamination of recyclables and other elements. Delaware has not yet considered options to improve recycling for its primary funder, the glass container and our industry customers.

Please do not hesitate to contact me with any additional questions or to follow up.

Best regards,

A handwritten signature in black ink that reads "Lynn M. Bragg". The signature is written in a cursive style with a large initial "L" and "B".

Lynn M. Bragg  
President