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Connecticut Department of Energy and Environmental Protection
Re: Bottle Bill Modernization
By email: chris.nelson@ct.gov

August 27, 2021

Dear Connecticut Department of Energy and Environmental Protection,

As you may know, the Container Recycling Institute (CRI) is a national nonprofit organization and an authority on the economic and environmental impacts of beverage container recycling. We would like to thank you for creating this stakeholder process by holding a public meeting and giving us the opportunity to submit written comments. We have signed on to the coalition letter with extensive comments, and in addition, we have just a few items that we are commenting on in this letter.

From our work studying bottle bill programs around the world, we understand that **to have a successful system there must be high levels of convenience for the consumers.** The best way to ensure convenience is by having many return locations throughout the state that are geographically dispersed in a way that avoids creating redemption deserts, and having more than one type of redemption option (e.g. return to retail, bag drop, redemption centers). In order to preserve convenience, the program must monitor the return infrastructure to ensure that existing redemption deserts are addressed, and to prevent any future ones from emerging.

For example, in British Columbia (BC), they have been monitoring and installing new redemption locations every year for many years, continuously improving their program through convenience. There are two stewards in BC, Encorp Pacific, who covers soft drinks, juice, water, wine, coolers and spirits, and nonrefillable beer bottles, and BC Brewers Recycled Container Collection Council (BRCCC), who covers refillable glass beer, cider and cooler containers, metal beverage alcohol cans and secondary packaging.

Encorp Pacific's promise of convenience is to cover 97% of BC's population through their depot system, and have depot redemption locations be within a 45-minute driving radius for rural residents and within a 30-minute driving radius for urban residents.¹ In addition, small quantities of containers (up to 24 per person per day) can be returned to certain retail locations. With 168 independently owned Return-It depot collection points, 1 corporate Return-It Express Plus location, 3 Express and GO unstaffed locations, plus 455 return to retail locations, BC has a total of 627 collection locations throughout the province for the containers covered by Encorp.¹ This has resulted in 99.5% of the population having access to a redemption location (as defined by Encorp), 2.5% above their goal, and a recovery rate of 78.1%, 3.1% above the required 75%.²

¹ Encorp Stewardship Plan 2020-2025

² 2019 Annual Report Encorp Pacific (Canada)

As for BRCCC, they have a convenience target of 80% of the population living within a 10-minute drive from a return point, a goal that they met in 2018.³ In 2019, BRCCC provided container redemption through 71 authorized BRCCC authorized depots, 651 retail stores, 198 government liquor stores, and 220 rural agency locations, totaling 1,140 return locations in BC.

BRCCC also monitors the covered areas and performs drive time studies to identify areas that require depot expansion. Overall, BRCCC has a recovery rate target of 87.5%, and they have exceeded that with an observed recovery rate of 90.76%.³

The current bottle bill in Connecticut has a strong return to retail law, but not a perfect adoption. SB 1037 looks to enhance that by adding reverse vending machines (RVMs) to retail locations that do not currently have RVMs. This is a necessary improvement considering the state has lost many redemption centers over the last several years due to low handling fee payments, and currently has only 18 or less. Additional steps that should be taken are to continue **monitoring and studying the situation to develop and report annually on “convenience” metrics, to make the system convenient for everyone.** This includes mapping current redemption locations, as well as monitoring and addressing current redemption deserts, now and in the future.

Another key element to a successful bottle bill is having an engaged stakeholder process. Looking at BC as an example, the steps in their stewardship plan submission process include posting the plan online for at least 45 days and holding at least four public meetings throughout the province to gain face-to-face feedback from stakeholders.

The Free Rider Problem and Need to Create a Registry and Conduct Regular Audits

Wikipedia defines the free-rider problem thusly: “In the social sciences, the free-rider problem is a type of market failure that occurs when those who benefit from resources, public goods (such as public roads or hospitals,) or services of a communal nature do not pay for them or under-pay.”

Here at the CRI, we have studied the free-rider problem in container deposit systems in the U.S. and have found significant and well-documented examples of beverage distributors and retailers failing, either partially or completely, to pay initial or unclaimed deposits to state agencies. Under-reporting and under-paying also appears to be a problem in states with stewardship organizations.

Since 2000, CRI has been producing comprehensive data files on beverage container sales and recycling for U.S. states, including statistics on quantities of beverage containers sold, recycled and wasted (in units and tons.) In 2014, we issued a complete report on the free-rider problem in California, which at the time was resulting in estimated under-payments to the State of more than \$200 million per year. As of 2014, we estimated about 20% of the beverages sold in California were not properly reported or paid on, and thus were free riders.ⁱ That percentage remained consistent for the 2018 data year: CalRecycle reported 24.6 billion deposit units sold, while CRI derived 30.6 billion deposit units sold, as part of our Beverage Market Data Analysis.ⁱⁱ

In 2014, we also issued a memo to the Commonwealth of Massachusetts about their free-rider problem, and subsequently discussed the issue with state officials in New York and Connecticut. To our knowledge, only California has an ongoing program to audit distributors and

³ BC Brewers Recycled Container Collection Council Annual Report to the Director 2019 Calendar Year

retailers each year, and yet we estimate that California's free-rider problem is still about 20% of total beverage sales (in-program beverages only.) We estimate Connecticut's free-rider problem to be about **44% of total covered beverage sales**, which translates to almost \$29 million in uncollected revenue that the Nutmeg State is missing out on each year.

Recommendations for the State:

- 1) **Create a true deterrent effect by rigorously auditing distributors**, including retailers effectively functioning as distributors, using mechanisms including:
 - a. Reviewing distributors' **financial statements** to assess whether they are initiating deposits in keeping with their sales.
 - b. Routinely auditing containers collected at **redemption centers** by scanning a statistically representative sample of containers to create a **bar code database**.
 - c. **Staffing levels** must be adequate to manage regular auditing of a significant proportion of distributors selling in Connecticut. Experience in other states has shown that state expenditures made on an auditing process are more than mitigated by the financial benefits of identifying and penalizing non-reporters and under-reporters.
- 2) **Audit findings must be made public**, perhaps on the DEEP website, and through news releases. This is necessary so that distributors cannot hide their non-compliance from business customers, retail consumers, and taxpayers.
- 3) **Uncover distributors that are not participating in the registry or remitting unclaimed deposits to the state:**
 - a. **Cross-check deposit system database with other state databases:**
 - Are there **beer** distributors and wholesalers who pay State alcohol taxes but do not appear on the rolls of deposit initiators?
 - Are there **water** bottlers who have been issued licenses for bottling and selling water by the [Connecticut Commissioner of Consumer Protection](#), but who do not appear on the rolls of deposit initiators?
 - Are internet retailers registered with the State?
 - b. **Use commercially-available data sources** to search for companies that are not yet registered in the system. State officials in California purchased data (e.g., [IRI](#)) that ultimately led to the discovery of hundreds of free-riding distributors and manufacturers. These lists can be cross-checked against the bar-code lists generated by auditing containers redeemed at redemption centers.
 - c. **Reward whistle-blowers:** DEEP could create adequate and well-publicized incentives to encourage whistle-blowers to report non-registered distributors and manufacturers to the Department, perhaps with small financial rewards.
- 4) **Penalties** must be assessed when distributors are found to be out of compliance with reporting requirements. The frequency of the audits and the penalty levels (and enforcement) must be stringent enough so that distributors do not come to see occasional

finances as simply the cost of doing business.

- 5) **Enhanced reporting rules** that would require distributors to report not just the number of containers they sell but also the *container types* they sell (metal, glass, plastic, cartons), as is done in California, Oregon, and Hawaii.

We want to congratulate you on the passage of SB 1037, by adding non-carbonated beverages, raising the deposit to a dime, and raising the handling fee, Connecticut's bottle bill will be vastly improved. These actions will result in higher redemption rates, more jobs in the state's recycling industry, and increased environmental benefits including the reduction of litter and greenhouse gas emissions.

Thank you again for the opportunity to submit our written comments and contact me with any questions you may have.

Sincerely,



Susan Collins
President, Container Recycling Institute
scollins@container-recycling.org

About the Container Recycling Institute: *CRI is a nonprofit organization and a leading authority on the economic and environmental impacts of beverage containers and other consumer-product packaging.*

ⁱ "Examining the Potential for Increased Revenues in California's Beverage Container Deposit-Return Program." Container Recycling Institute, August 13, 2014.

ⁱⁱ "2018 Beverage Market Data Analysis" (BMDA). Container Recycling Institute, 2021. CRI BMDA material-specific sales data are derived from multiple sources, including the Beverage Marketing Corporation (regional data scaled down by state population); the Beer Institute, the Wine Institute, and the Distilled Spirits Council of the U.S. (state-by-state data).