

December 2021

Response to request for comment on “DEEP Beverage Container Recycling Grant Program – Scoping Document”

Introductory comments

With the passage of Public Act 21-58 and the subsequent funding of this grant program, the Connecticut legislature has taken great effort to ensure the public has convenient access to return containers for recycling and redeem their deposit money. With these grant resources, DEEP has the opportunity not just to fund any redemption network but a modern redemption network that benefits all stakeholders. Principles to keep in mind when shaping this grant program and the redemption network at large include:

- **Performance** – Does this initiative help to increase the collection of deposit containers, and does it maximize that opportunity?
- **Convenience** – Does this location make it easy for the public to access deposit redemption and participate in recycling?
- **System Integrity** – Does this redemption center have a plan for maintaining best practices in accounting, product identification and registration, unauthorized redemption mitigation, and safety?
- **Cost-efficiency** – Does this redemption center have a plan for mitigating cost of business expenses over time so the public can utilize its facilities in the future and the beverage industry’s investment in the program can be properly stewarded?

Our comments below incorporate these principles into DEEP’s questionnaire.

1. What types of information should DEEP request from applicants?

- **Basic business plan** - To ensure grant funds effectively result in the creation of new redemption centers, grant applicants should be required to submit a basic business plan estimating for example monthly costs vs. revenues. Establishing and operating a redemption center is not viable in every region in Connecticut due to the limitations in raising the handling fee, real estate and labor costs, etc. so grant applicants should illustrate how they plan to overcome these barriers. When reviewing applications, DEEP should keep in mind that estimates of anticipated revenue are difficult to define upfront due to a range of factors from existing redeemer behaviors, exact redemption center location and consumer experience.
- DEEP recommends grant applicants cite “The volume of beverage containers sold within the likely service area of the redemption center.” This information is not readily available and as such the lack of such inclusion in an application should not be a hindrance to granting funds. Population in the region, as DEEP has already recommended to include in the grant application, should be sufficient to estimate beverage sales.
- We agree with the remaining “factors” DEEP recommends applicants document in their applications.

2. What factors should DEEP evaluate when reviewing applications?

In general, DEEP should award Redemption Center grants based on:

- **Local demand for redemption access** today and when the deposit value raises to ten cents (e.g., population density and lack of existing locations that take back containers), and

- **Financial viability of the venture** – Does the prospective owner have a plan to ensure the operation can effectively manage costs and continue to provide redemption access to the public over the long-term?

3. What siting criteria within urban centers and environmental justice communities should DEEP prioritize for optimal redemption center location – for example, should eligibility for funding through this program be limited to new redemption centers that are located more than a one-mile radius from existing redemption center? Should that radius be greater in municipalities with lower population densities?

- Yes, we agree with the requirement that redemption centers receiving grant funding should be located at least one mile away from existing redemption centers.
- No, that radius should not be larger in regions with lower population densities. We should not assume all residents have cars to access redemption.
- **Location info including safe pick-up procedure** - For safety purposes grant recipients should be required to utilize funds where tractor trailers can reasonably and safely pick up containers. As a pick-up agent we have had serious safety concerns with redemption centers that were sited without any concern for safety. This has led to for example, siting centers located on the turn of a 45mph road where backing up a trailer is extremely dangerous to all involved.

In addition, it should be noted that the major pick-up provider in Connecticut at the moment, Thames River, does not provide pick-up for locations only redeeming containers manually. The prospective redemption center should be prepared for trucks from every distributor to pick-up containers or pursue redemption technology.

4. Should DEEP require performance reporting from grantees? What metrics should be included in such reporting?

- Given taxpayers are helping to fund these new redemption centers through government funds, grant recipients should be required to report on the impact of this investment. Reporting ensures the grant program delivers on its promise to effectively increase convenience for the public. Performance metrics could include: the number and weight of containers redeemed by material type and how often redemption services are utilized (e.g., number of RVM ‘user sessions’).

5. Should DEEP include certain minimum processing capacity or technology/equipment requirements for eligible grantees? What should be the minimum processing capacity be for a grantee?

As stated above DEEP has an opportunity to fund not just any redemption center network but modern, best-in-class locations. The trend in deposit return system design including new deposit systems coming online in Quebec, Australia and elsewhere is towards technologic innovations in redemption rather than manual redemption. This stems from the fact that automated redemption provides benefits to multiple stakeholders in the system, not just the redemption center owner herself including:

- A convenient way for consumers to redeem containers while dramatically reducing labor and storage costs for redemption providers.
- Reduction of transportation costs for the beverage industry due to container compaction (more containers can fit on each truck, reducing the number of trucks needed on the road).

- Reducing greenhouse gas emissions from the redemption network through increased transportation efficiencies due to container compaction and enabling smart logistics from redemption data captured by Reverse Vending Machines (RVMs).
- Mitigating unauthorized redemption (and its associated costs) - RVMs provide many services in this area including ‘canceling’ out deposit containers by compacting them so they cannot be redeemed twice, and retaining a digital record of redemption data, which can be used to remotely identify and audit suspicious locations.

The sum of these cost-savings measures means redemption technology such as RVMs have been shown to make deposit return systems more cost resilient, helping to avoid continually raising handling fees.

Based on an understanding of these benefits, in high-performing deposit systems, *all* containers redeemed are required to be processed through technology at some stage in the collection journey. This ensures, at a minimum, manually redeemed containers are accurately accounted for in the system and can be verified by another party. If Connecticut seeks to truly modernize its deposit system to maximize system integrity and cost savings, all containers should be processed through technology. Where RVMs or bulk counting machines are not practical, centralized counting centers can be utilized to process containers redeemed manually.

For these reasons we agree that redemption centers benefitting from government investment in their ventures should meet minimums for redemption technology. We don’t recommend a specific technology solution given there is a range of options available, and the final selection will be based on expected volume and aesthetic preference.

- 6. Should DEEP consider providing additional grant funding after the first year of operation based on performance metrics—for example, a standard “cents-per-container” calculation based on the number of containers redeemed by the grantee in the prior year of operation?**
 - If redemption centers can prove that additional funding is required to stabilize the business in its early stages and they are continuing to attract new customers, then yes, additional grant funding to existing grantees is appropriate. It should be understood that these new RCs may struggle to gain a substantial number of customers before expansion and the increased deposit to ten cents is implemented, thereby increasing the volume (and revenue potential) to redemption locations statewide.
 - However, to ensure consumer access is enhanced statewide, preference should be given to establishing new redemption centers in areas without existing centers.
- 7. What other grant program priorities should DEEP consider? What other questions should DEEP address in the final grant program application process?**
 - To ensure consumer access to redemption is enhanced, if RC grant funds are not expended in the first year to first-time redemption center owners, then it should become available to existing redemption center owners who seek to open new locations.

ABOUT TOMRA

TOMRA provides a range of advanced vision systems that utilize sensor-based technology to sort everything from bottles to blueberries allowing companies and consumers to reduce their waste footprint and providing a stream of clean valuable material to the 'circular economy'.

TOMRA COLLECTION SOLUTIONS: With an installed base of approximately 83,000 systems in over 60 markets including all 10 U.S. states with deposit laws, TOMRA Reverse Vending is the world's leading provider of reverse vending and clearinghouse solutions. Every year TOMRA facilitates the collection of more than 40 billion empty cans and bottles and provides retailers and other customers with an effective and efficient way of collecting, sorting and processing these containers. TOMRA's material recovery business includes the pick-up, transportation, and processing of used beverage containers in North America, as well as the subsequent brokerage of the processed material to recyclers. The revenue stream in this business area is derived from fees received from bottlers based on the volume of containers processed. Currently, TOMRA Material Recovery processes over 340,000 metric tons of containers annually. TOMRA has over four decades of experience in markets with deposit return laws in place. Throughout the Northeast TOMRA provides many services solely to power container deposit systems or 'the bottle bill'.

TOMRA SORTING SOLUTIONS: TOMRA Sorting Solutions creates sensor-based technologies for sorting and process analysis within the recycling, mining, food and other industries. TOMRA Recycling is a global leader in its field and has pioneered the automation of waste sorting. Its flexible sorting systems perform an extensive range of sorting tasks and can both prepare and sort various types of metals and waste for either material recycling or energy recovery. Currently TOMRA Sorting Recycling has an installed base of close to 5,960 units across more than 40 markets.