

These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

HOUSE COMMITTEE ON ENVIRONMENT AND ENERGY

February 06, 1991Hearing Room E 1:30 p.m.Tapes 30 - 33

MEMBERS PRESENT:Rep. Parkinson, Chair Rep. Whitty, Vice-Chair Rep. Burton Rep. Courtney Rep. Naito Rep. Norris Rep. Repine Rep. Van Leeuwen Rep. Watt

MEMBER EXCUSED: All present

VISITING MEMBER:Rep. Gene Derfler

STAFF PRESENT: Kathryn VanNatta, Committee Administrator Andy Sloop, Committee Assistant

MEASURES CONSIDERED: HB 2520 (PUB) HB 2293 (PUB)

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TAPE 30, SIDE A

08CHAIR PARKINSON: Calls meeting to order at 1:34 p.m. and opens public hearing on HB 229 3 relating to beverage container recycling. (Representatives Courtney, Burton and Naito not present and excused)

(Tape 30, Side A) PUBLIC HEARING - HB 2293 Witnesses:Keith Burns, Container Recover, Inc.

11KEITH BURNS, CONTAINER RECOVERY, INC.: Testifies in support of the measure.

>Container Recovery is a co-op owned and operated by beverage distributors.

>Container Recovery picks up about 47 percent of all returnable containers in the state.

>Will be preparing a report that shows bottle collections almost equal bottle sales.

>HB 2293 is not intended to generate money.

(Tape 30, Side A) PUBLIC HEARING - HB 2520 Witnesses:Rep. Gene Derfler Orville Roth, Roth's Friendly Foodliners Jack Munro, Association of Oregon Food Industries Roger Martin, United Grocers Mark Nelson, Southland Corporation Paul Romain, Oregon Beer and Wine Distributors Association

40KATHRYN VANNATTA, COMMITTEE ADMINISTRATOR: Gives executive summary of the bill. (EXHIBITS B, C and D)

60REP. DERFLER: Testifies in support of the measure.

>Introduced this measure during the 1989 Legislature. It passed the House but died in the Senate.

75ORVILLE ROTH, ROTH'S FRIENDLY FOODLINERS: Explains the bill and gives background.

>Involved in drafting the "Bottle Bill" 20 years ago. The

>Bottle Bill definitely has helped keep highways and parks clean.

>Businesses selling beverages now are quite different than they were when the Bottle Bill was passed. Many large retailers that emphasize low prices and high volume, such as Costco and Target, have entered the market.

>Increases in the minimum wage have increase the handling costs involved in processing beverage containers for recycling.

>Supermarkets make it convenient for customers to return containers.

>This bill equalizes the costs to retailers that redeem 100 percent or more of the beverage containers they buy.

>This bill also would equalize costs for retailers that redeem fewer beverage containers than they sell.

>The three-cent handling fee this bill proposes would be a vehicle to make recycling redemption more profitable.

>Ultimately, redemption centers are the way of the future.

129 REP. WHITTY: What's going to happen to the retail price of products because of this bill?

135 ROTH: This industry is one of most competitive in the country. This bill shouldn't impact businesses that redeem near or more than 100 percent of the beverage containers they sell.

150 REP. WHITTY: What about small convenience stores where redemption levels are lower?

160 ROTH: They might have higher labor costs that they might have to pass on to their customers.

176 REP. WATT: How did you arrive at the three cent figure? I've had

quite a few calls from people who agree with your concept but think three cents is too much.

186 ROTH: We're trying to promote 100 percent recycling industry wide. I don't have the exact figures, but I think for redemption centers to be profitable in the long-term (i.e., 10 to 15 years), they need that additional one cent.

210 CHAIR PARKINSON: Can you envision a time when retailers would refund six cents to increase volume, assuming the three cent figure?

218 ROTH: Yes, but I like the idea of the redemption centers doing that in the long term. There needs to be a profit in each business, and the recycling people need some support in that area.

222 REP. DERFLER: I've talked to the Garten Foundation and they're interested in developing a recycling center.

226 REP. COURTNEY: What percentage of people who bring bottles into your stores shop at your stores?

229 ROTH: I can't tell you the exact percentage, but I would guess that it is very high.

231 REP. COURTNEY: If you had your druthers, would you get out of recycling?

238 ROTH: Probably.

257 REP. NORRIS: I assume none of these mass merchandisers can refuse to recycle now.

263 ROTH: That's correct.

270 REP. NORRIS: Doesn't it take pretty strict accounting to know the balance of bottles sold versus the number returned?

277 ROTH: Our computer rings up sales and we count returns as they happen.

284 REP. NORRIS: Is there any experience in other states with redemption centers?

289 ROTH: I don't know.

291 REP. BURTON: I need to get a better sense of the term "distributor". Do you get your beverages from single-source dealers or from a distributor that handles multiple product lines?

307 ROTH: Most distributors handle multiple product lines.

324 REP. BURTON: So the accounting for this proposal is not going to be particularly difficult?

330 ROTH: We don't think so.

333 REP. REPINE: Should Oregon increase the refund value on containers at the retail level to increase the ante on deposits and increase the incentive to return bottles?

360 ROTH: Michigan offers twice the deposit we have. I think we need to look at that, but today I'm really just looking at how to redeem at an equal basis.

378 REP. VAN LEEUWEN: I've received many calls from mom and pop stores that believe they would pay an extra fee under this proposal. Can you respond to that?

389 ROTH: They would be charged three cents on all product that they buy. If they redeem near 100 percent, they'll be OK. I suspect some of those stores that contacted you would redeem less than 100 percent.

TAPE 31, SIDE A

04REP. VAN LEEUWEN: I get the feeling small stores in my district would strongly support area redemption centers like the ones you have described, Mr. Roth.

10REP. COURTNEY: If you were redeeming only 50 percent, wouldn't that hurt the number of people coming into your store?

18ROTH: I don't think so.

27REP. WHITTY: When you buy from the distributor, you would pay, in effect, eight cents. And you would collect five cents from the consumer and three cents from the distributor when the returns happen. Is that right?

38ROTH: That's correct.

52REP. BURTON: There are some small mom and pop stores in my district. In those smaller stores, I do pay more for groceries than I do at larger stores. I can see that people buy lots of beverages at very large wholesale-like retail stores and small convenience stores, and return those containers at supermarkets like yours. I disagree with Rep. Courtney that you might lose business if you didn't provide recycling services, because I don't think people shop at your stores because they can recycle there. Rather, they happen to recycle there because it's convenient to do it at the same time that they shop.

84REP. VAN LEEUWEN: I see a possible workfare job here somewhere.

98CHAIR PARKINSON: Calls Jack Monroe and Roger Martin to testify.

100 JACK MUNRO, ASSOCIATION OF OREGON FOOD INDUSTRIES: Testifies in support

of the bill. (EXHIBIT E)

>OFI is an association of roughly 430 corporate members who do business at more than 1000 locations in Oregon, most of which are retail food stores.

>Nine states in the country have bottle bills and there are only two, Oregon being one, that don't have programs that recognize the costs to distributors and retailers of redemption processing.

233 REP. BURTON: Current statutes prescribe a minimum beverage container refund value. What would prohibit a retailer from charging more than five cents to offset a redemption rate that is less than 100

percent?

238 MUNRO: Technically, I guess retailers could raise their deposit and refund rates.

270 ROGER MARTIN, UNITED GROCERS: Testifies in support of the bill.

>Chaired the 1971 House Committee that passed the Bottle Bill.

>Never envisioned market would have the wide variety of beverages, beverage containers and retailers it does today. The redemption mechanism then reflected the simpler market.

>The original Bottle Bill included the concept of redemption centers. This idea never came to fruition, however, because everybody quickly became habituated to returning containers to supermarkets.

>It is possible to return containers to places like Costco, but it's inconvenient.

>The Bottle Bill is working on the backs of conscientious retailers.

>Can't have garbage haulers handle redemption because returnables probably would be stolen.

367 REP. BURTON: Redemption centers are still on the books and could be implemented.

TAPE 30, SIDE B

MARK NELSON, SOUTHLAND CORPORATION (7-ELEVEN): Testifies in opposition to the bill.

>The bottom line is that this would replace one inequity with another inequity -- large retailers to small retailers.

>Underredeemers would, in effect, pay three cents for every container they sell and don't redeem.

>7 Eleven would lose roughly \$650,000 a year as result of this.

>Approximately 1.1 billion containers are returned in Oregon annually. Adding one penny to the cost of each container would cost beverage retailers in the state \$11 million. Somewhere between \$10 and \$20 million would change hands from small retailers and tavern owners to large retailers.

>Small retailers didn't cause the current inequity and shouldn't have to pay to fix it.

>Larger retailers can spread the costs of recycling across larger budgets.

>We would like something that doesn't pit retailer against retailer. Recommends a handling charge through which the consumer would pay a deposit that would be spread across the industry according to processing expenses.

>Redemption centers have merit.

99CHAIR PARKINSON: Is there much difference in the costs large and small retailers pay for products?

109 NELSON: Large retailers generally pay less for products because they buy larger volumes.

119 REP. BURTON: Are Southland sales aimed at beverages?

126 NELSON: Beer, cigarettes, fast food, and soda items are fairly high volume at convenience stores.

131 REP. NORRIS: Under this proposal, what would happen to the deposit money that retailers would not get back if they didn't have a 100 percent or higher redemption rate?

140 NELSON: There are four parts to this process: 1.) The retailer pays the distributor a \$5 deposit when he buys 100 beverages; 2.) When consumers buy those 100 beverages, the retailer recovers the \$5 deposit; 3.) If consumers return 50 of those 100 containers to the retailer, the retailer pays \$2.50 in consumer refunds; 4.) The retailer then returns those 50 containers, and the distributor gives the retailer \$2.50. So, retailers are always even. What happens with the three cents proposed under this legislation is that the consumer is never involved.

163 REP. WHITTY: No distributor gets 100 percent of the containers that he sells to retailers.

171 NELSON: I think you will hear testimony today that confirms that is approaching 100 percent.

180 REP. WHITTY: If redemption rates are near 100 percent, it's probably because we get cans from out of state. But if you're in the center of the state, you don't get as many of the containers that you sell back.

190 REP. WATT: Would you favor a 100 percent shift to redemption centers so that no recycling occurred at retail stores.

194 NELSON: Yes. I don't think there's a retailer in the state that wants to see recycling in retail stores continue. It's a mess.

201 PAUL ROMAIN, OREGON BEER AND WINE DISTRIBUTORS ASSOCIATION: Testifies in opposition to the measure. Explains flowchart (EXHIBIT F) that illustrates how the bottle bill works and how it hurts distributors.

238 REP. WHITTY: What does the distributor do with containers after retrieving them from retailers?

242 ROMAIN: Distributors pay tremendous costs under the Bottle Bill. These include: 1.) increased warehouse space; 2.) increased trucks and labor to implement a two-way system; and 3.) outside of metro-Portland, containers have to be re-sorted into more specific categories than those used for sorting at the retail level. The problem is that some grocers have higher costs than others. The cost in the Bottle Bill is not in the sale of the product, but in its return. Distributors' gross profit on low-end beer sales is \$1 to \$1.50 a case, yet an empty case of containers is worth \$1.20. If the handling fee were bumped to 10 cents a container, like it is in Michigan, it would create a product that is worth more empty than it is filled. This would create an incentive for

people who don't pay deposits to collect containers out of state and return them here for refunds. There's a profitable market doing this. Many distributors near the state's borders have redemption rates above 100 percent. The difference between grocers and distributors under the current system is that grocers collect five cents for every container they sell whereas distributors only get the scrap value of the containers that are returned to them. There is no scrap value to bottles, so they are crushed and landfilled.

TAPE 31, SIDE B

30CHAIR PARKINSON: Calls for break at 3 p.m.

240 CHAIR PARKINSON: Reconvenes at 3:15 p.m. Lauri Aunan of the Oregon State Public Interest Research Group not present to testify. Identifies written testimony in favor of the measure (EXHIBIT G) for the record. Closes public hearing on HB 2520 and re-opens public hearing on HB 2293.

(Tape 31, Side B) PUBLIC HEARING - HB 2293 Witnesses: Warren Rosenfeld, Calbag, Inc. Dan Van Dusen, Oregon Soft Drink Association Merle Lindsey, Oregon Liquor Control Commission Paul Romain, Oregon Beer and Wine Distributors Association

261 KATHRYN VANNATTA, COMMITTEE ADMINISTRATOR: Gives staff summary of the bill. (EXHIBITS H and I)

301 WARREN ROSENFELD, CALBAG METALS, INC.: Testifies in support of the bill. (EXHIBIT J)

>Oregon needs comprehensive and predictable solid-waste recycling system that provides market incentives.

>Retailers and, to a lesser extent, distributors shoulder most of the cost burden of the current beverage-container recycling system.

>Need to make it possible for retailers or recyclers to obtain refunds on consumer returns.

>Supports HB 2293 because it contributes to a broader state recycling policy.

TAPE 32, SIDE A

05DAN VAN DUSEN, OREGON SOFT DRINK ASSOCIATION: Testifies in opposition to the measure. (EXHIBIT K)

82REP. BURTON: From your perspective, what is the purpose of this bill?

87VAN DUSEN: I have a difficult time understanding the emphasis of this bill on recycling.

99REP. BURTON: Apparently, somebody thinks there is money in this area that isn't being collected or redeemed, and apparently you don't think there is very much money to be found.

106 VAN DUSEN: That's correct. This bill would be looking for money that wouldn't come back into the recycling system. There are states that are just getting into beverage-container recycling that are not getting anywhere near the return levels in Oregon. In these cases, distributors probably are making money on recycling. If distributors

were trying to bluff the Legislature to make a profit on recycling, they would be wholeheartedly supporting HB 252 0.

120 REP. BURTON: My sense is there are some unknown quantities of money that somebody wants to capture. I would support new ways to fund recycling programs. However, it seems this proposal requires some kind of a reporting procedure and it might not achieve what it is supposed to.

133 CHAIR PARKINSON: Announces that the public hearing on HB 2150 has been postponed. Calls Merle Lindsey, Oregon Liquor Control Commission.

135 MERLE LINDSEY, OREGON LIQUOR CONTROL COMMISSION: Explains bill. (EXHIBIT L)

158 REP. BURTON: What is an "unredeemed factor"?

160 LINDSEY: Those are beverage containers that are thrown away or not redeemed.

195 REP. REPINE: It appears, based on the language in the bill, we've taken care of the government expense, but we haven't taken the expense to distributors and non-licensed people into account.

198 LINDSEY: That's correct. We've only based our impact on what we know about the Commission's expense. Obviously, distributors will have increased expenses.

205 REP. REPINE: Your written testimony says the OLCC expects to conduct 35 random audits on distributors. Are you talking about a full audit or something else?

210 LINDSEY: This would involve spot verification.

236 REP. BURTON: How does the \$7 million listed in your written testimony get generated. Does this bill create a charge to distributors for something over which they have no control?

264 LINDSEY: That's correct.

295 REP. WATT: Distributors in the Medford area are almost always overredeemers, so they wouldn't ever get anything back under this proposal. Who's going to pay them?

315 LINDSEY: They would carry a credit.

320 REP. WATT: So what happens if every distributor in the state is an overredeemer? Where would the money come from to pay them?

325 LINDSEY: The state wouldn't be able to cover that situation.

354 REP. REPINE: Where do out-of-state cans redeemed in Oregon factor into this?

360 LINDSEY: I don't know.

365 REP. VAN LEEUWEN: It seems like this can't be handled unless we have a national bottle bill.

390 REP. WHITTY: "I can't see how any legislator that's on the

periphery of this state would ever vote for anything like this. There's no way, unless he wants to commit suicide."

400 PAUL ROMAIN, OREGON BEER AND WINE DISTRIBUTORS ASSOCIATION:
Testifies in opposition to the measure.

>There are some underredeemers in Oregon, but, overall, the state is pushing close to 100 percent redemption.

>DEQ numbers are probably pretty good estimates of how bottles are actually bought and returned in Oregon.

TAPE 33, SIDE A

05ROMAIN: Continues testimony.

>If this is approved, distributor redemption rates would almost instantly be 100 percent because distributors could hide buying of accounts. For example, if a distributor has \$100,000 worth of underredemption annually, he can either pay taxes on the excess deposits he retains or cut a deal with retailers, under the table, to give retailers extra refund credit in exchange for better shelf positions for the distributor's products.

47REP. REPINE: We're getting to the point where we would be etching a symbol identifying the origin of every can.

57ROMAIN: The more we limit our labels, the more problems we have actually getting our products, because products that are not labeled properly for redemption can't be distributed.

68REP. COURTNEY: Mr. Chair, do you feel this bill was properly represented in the interim?

70CHAIR PARKINSON: The proponents of this bill, the Oregon Public Interest Research Group (OSPIRG), didn't stay today to testify. We drafted two bills because we had a hearing on one and we thought it would be appropriate to give them both consideration. OSPIRG has submitted written testimony supporting this. (EXHIBIT G)

76REP. COURTNEY: "This has only happened to me once or twice since I've been here. A bill comes forward and just flops out there like a big flounder, and everyone cannot comprehend what the devil is going on."

80CHAIR PARKINSON: "What we should have done was have an overview on the Bottle Bill. They could have taken a whole afternoon, and probably should have, because it's extremely complicated."

85REP. COURTNEY: "All I was trying to accomplish is that sometimes a bill which seems so much like a big dead flounder is a little bit more than that."

95REP. BURTON: It appears this attempts to find a funding source to develop recycling markets. It also appears that this is the wrong target.

140 REP. REPINE: Could somebody develop a recycling scam buying cans out of state and recycling them in Oregon?

145 ROMAIN: The odds are against a large-scale scam, but small-timers

could nickel and dime the system significantly.

160 CHAIR PARKINSON: Closes public hearing on HB 2293 and opens work session for possible introduction of committee bills.

160 WORK SESSION - INTRODUCTION OF COMMITTEE BILLS

163 CHAIR PARKINSON: Entertains a motion for introduction of LC 2949 as a committee bill.

165 MOTION:REP. WHITTY moves for introduction of LC 2949 (EXHIBIT P), requiring comprehensive land-use plans to be adopted and implemented in manner to minimize restrictions on use of private property, as a committee bill.

168 VOTE:Hearing no objections, CHAIR PARKINSON so moves.

170 CHAIR PARKINSON: Entertains a motion for introduction of LC 2950 as a committee bill.

172 MOTION:REP. WHITTY moves for introduction of LC 2950 (EXHIBIT Q), requiring reporting of economic development provisions of land-use planning statutes, as a committee bill.

175 VOTE:Hearing no objections, CHAIR PARKINSON so moves.

178 CHAIR PARKINSON: Closes work session and adjourns meeting at 4:05 p.m.

Submitted by: Reviewed by:

Andy Sloop Kathryn VanNatta Committee Assistant Committee
Administrator

EXHIBIT LOG:

A -Beverage container recycling statutes ORS 459.810 through 459.890
- Committee Staff - 3 pages B -HB 2520 - Committee Staff - 1 page
C -Preliminary Staff Measure Summary to HB 2520 - Committee Staff - 1
page D -Notices of no fiscal or revenue impacts - Legislative Fiscal
and Revenue Offices - 1 page E -Testimony on HB 2520 - Jack Munro,
Association of Oregon Food Industries, Inc. - 2 F -Beverage container
recycling system flowcharts - Paul Romain, Oregon Beer and Wine
Distributors Association - 2 pages G -Testimony on HB 2520 and HB
2293 - Oregon State Public Interest Research Group - 1 page H -HB
2293 - Committee Staff - 2 pages I -Preliminary Staff Measure Summary
for HB 2293 - Committee Staff - 1 page J-Testimony on HB 2293 -
Warren Rosenfeld - 3 pages K -Testimony on HB 2293 - Dan Van Dusen -
2 pages L -Testimony on HB 2293 - Merle Lindsey, Oregon Liquor
Control Commission - 2 pages M -Testimony on HB 2293 - Association of
Oregon Recyclers - 2 pages N -Oregon Recycling Market Strategic Plan
- Pacific Power Economic Development - 33 pages O -Testimony on HB
2293 - Astoria Area Chamber of Commerce - 1 page P -LC 2949 -
Committee Staff - 1 page Q -LC 2950 - Committee Staff 1 page