OBRC and Oregon’s Bottle Bill

This memo outlines the Oregon Bottle Bill, the Oregon Beverage Recycling Cooperative (OBRC) model, and an analysis of each. It is organized by:

- Features of the Oregon Bottle Bill
- OBRC structure, services and funding
- Creation and operation of BottleDrop
- Analysis of Oregon system
- OBRC views on best practices

Features of the Oregon Bottle Bill:

Oregon’s bottle bill was the first in the nation in 1971. Deposit and return systems were relatively new globally as well, and as a result, Oregon’s model was aspirational and not prescriptive. The original bottle bill specified that every covered container carry a five-cent refund (over 30 cents in 2019 dollars), that dealers were required to accept them, and that distributors were required to pick them up. The implementation of this system was left to the private sector.

It is important to note what the original Bottle Bill did not contain:

- No deposit requirement. Only the requirement for a refund.
- No constraints or requirements on how the refund system should be operated, including how unredeemed deposits are handled.
- No handling fees or payment schemes. No specified fees paid by manufacturers or distributors.
- No government participation in the redemption or payment process. Only government oversight.
- No determination on who owns the material, though law requires retailers must present the physical material to the distributor to be reimbursed for the refund.

The absence of these parameters in the original Bottle Bill allowed the private sector to organize efficiently, and over time, provide today’s system.

At its most basic level, the Oregon system operates in the following way (deposit was increased from a nickel to a dime in 2017):

1. Retailers pay distributors a dime for each covered product delivered.
2. Customers pay retailers a dime at time of purchase.
3. Customers return containers to a retailer and receive a dime.
4. Distributors retrieve containers from retailers and pay a dime.
5. Distributors recycle the container for scrap value.

Expansion of covered products from beer and soda to nearly all beverages except liquor, wine, and milk, and the increase of the deposit to 10 cents, have not changed this basic structure. The creation of OBRC and redemption centers (BottleDrop) only add efficiency to this system.

Creation and structure of OBRC and BottleDrop:

In the 1980s, to facilitate their responsibilities under the Bottle Bill, distributors organized regional systems for collecting, transporting and processing containers. As more covered products came into the Bottle Bill and more distributors had obligations to participate, distributors formed Oregon Beverage Recycling Cooperative (OBRC) in 2008 out of the regional entities. Participation in OBRC is voluntary, and 98% of distributors in Oregon choose to do so.

OBRC is a vertically-integrated not-for-profit cooperative of distributors. OBRC board members approve the OBRC budget and oversee all aspects of operation. On their behalf, OBRC:

- **Receives all deposits** from distributors and pays out all refunds, either by reimbursing retailers or directly paying consumers. This allows for any purchased product to be returned to any retailer, regardless of whether the retailer stocks the product or is served by the specific distributor that carries it.
- **Picks up all containers** from retailers and transports them to centralized processing plants. At these plants, OBRC compacts separated material into bales.
- **Sells bales** in recycling markets. All scrap value is returned to members proportional to the volume and type of material they sell.
- **Leases, sells and services "reverse vending machines"** for on-site compaction of containers at retail locations.
- **Operates BottleDrop redemption centers.** More on the redemption center concept in the next section.
- **Markets beverage industry stewardship** to the public, and creates new programs that return value to members, such as the "green bag" program, and the refillable bottle program.

OBRC uses all unredeemed deposits to fund co-op operations on behalf of members. Board members approve the OBRC budget and agree to fees to pay for operational costs that exceed the amount of unredeemed deposits available. OBRC passes all scrap revenue directly back to members, and does not keep any for operations.

Creation and operation of BottleDrop redemption centers:

In 2010, in response to concerns from stores, legislators, and the public about the cost, cleanliness, and convenience of in-store container redemption, OBRC partnered with the Northwest Grocers Association and other retailers to create the BottleDrop redemption center model. BottleDrop centers are owned and operated by OBRC, and approved by the Oregon Liquor Control Commission (OLCC). The cost of operations are paid 50% by OBRC, and 50% by retailers in the "convenience zone" around the center, as determined and enforced by OLCC.

BottleDrop centers provide benefits to consumers, retailers, and distributors. Specifically, they:

- Allow stores over 5000 square feet within a 2-mile "convenience zone" to refuse to take back any containers, and stores within a concentric radius up to 3.5 miles to take back only 24 containers per day per person.
- Centralize returns at a convenient, clean, staffed center with sufficient capacity to handle high-volume returns and cash dispensing.
- Allow for automated return systems that reduce labor and increase compaction on-site, allowing for much more efficient collection, separation, and transportation of material. Containers returned through BottleDrop have the lowest cost per container of any redemption system in the world.
- Provide access to services like the “green bag” account program that allows customers to access a premium redemption experience.

OBRC operates 25 BottleDrop centers around Oregon and continues to build them out. Since 2010 they have become the centerpiece of the redemption system, accounting for over 60% of all containers redeemed in Oregon. They are extremely popular with the public, and have allowed OBRC to continue to reduce the cost per container of collection and processing. The Gilsan BottleDrop is the largest redemption center by volume in the world.

**Analysis of the Oregon model:**

From a public perspective, the advantages of the Oregon model are:

- Added convenience and the value of the deposit have created a ~90% redemption rate
- Customer surveys and public polling shows a high degree of satisfaction with BottleDrop centers and the green bag program
- No risk to public budgets from the bottle bill

From a beverage industry perspective, the advantages are:

- OBRC provides vertically-integrated efficiency in all parts of the bottle bill. Unlike other states, there are no other companies hired or paid to implement steps in the process.
- OBRC handles all aspects of bottle bill compliance for members, removing risk and cost.
- Industry controls all aspects of costs, approves budgets and fees, and measures efficiency. Industry also has full control over costs/benefits of measures relating to fraud reduction.
- Cost per unit, less than one cent per unit for retail pickup and processing, and less than 2 cents per container for redemption centers (shared 50% with retailers), is less than any other deposit system in the country.
- Industry owns scrap value, internalizing both the cost and benefits of recycling.
- Unredeemed deposits exclusively reduce the cost of system paid by distributors.
- OBRC tells the story of beverage industry stewardship through its marketing channels.

From a retailer perspective, the advantages are:

- Redemption center model reduces or eliminates takeback for many larger stores.
- Cost of participating in a redemption center is less than the cost of taking back containers, and exceeds any benefit from handling fees.
- OBRC system allows for other partnerships with retailers, like giving bonuses for spending refunds as in-store credit.

There are a few important issues to note in the Oregon model. They include:

- High redemption rates, profile of BottleDrop, and satisfaction of consumers entrenches the bottle bill, making it difficult to eliminate if desired.
- Redemption centers can become associated with larger social issues like homelessness and drug use, whether or not a connection exists. Can create a public relations and perception challenge.
- System strongly incentivizes industry participation. Distributors will have difficulty operating redemption outside the co-op model if they choose to do so.
- Retailers outside redemption center convenience zones still must take back containers with no handling fees or other compensation.
- Creating an Oregon model in states where entities are already receiving payments from government is difficult, as they are already making money on the previous arrangement. Similarly, shifting to a model where private industry keeps unredeemed deposits is difficult in states where government is using deposits to fund public programs.

OBRC views on best practices

Based on our experience, OBRC recommends the following principals as best practices for a deposit and return system.

- Ensure a privately-run system where industry has full control of costs and benefits
- Allow industry to use all unredeemed deposits to offset costs
- Industry controls all scrap material
- Prevent handling fees and other fees/payments required or paid by government