

Beverage Container Program Reform - Workshop #2 Capture - September 18-19, 2012	
II.) Modernize Program Operations	
II.A:) Topic: Convenience Zone & Handling Fee Structure	
II.A: 1.0) 1. Re-establish an annual cap on Total HF's Paid to all RCs	
II.A: 1.1)	If you adjust the 90-91 total HF paid with a 3% inflation rate results in current value dollar value of \$37-38 million.
II.A: 1.2)	Current dollars without a cap approximate the future value of the 90-91 total HF payments. This leads to a conclusion there is no need for a cap; other solutions should be considered.
II.A: 1.3)	No online comments
II.A: 2.0) 2. Re-establish a monthly cap on HF's per site	
II.A: 2.1)	Monthly cap on HF payments provides for a broader distribution (i.e., more recycling center (RC) sites) of HF payments which supports the program goal of the Act to promote convenient recycling.
II.A: 2.2)	Remove site and program HF cap.
II.A: 2.3)	If there is a HF cap per site, there is a possibility that a site may not maximize their buyback purchases once they hit their maximum container limit for the HF cap. This would limit convenience.
II.A: 2.4)	Because of the seasonality of redemptions, with a potential 20% swing, could penalize the operator on the peaks.
II.A: 2.5)	In San Francisco, there is currently \$2,500.00 overhead cost per employee to operate Convenience Zone (CZ) sites in San Francisco. This is greater than the HF's paid to offset these costs.
II.A: 2.6)	Focus on cost per container, not HF cap.
II.A: 2.7)	There should be a limit on number of certified RCs around a CZ, and not cap HF paid.
II.A: 3.0) 3. Amend definition of 'Supermarket' from \$2M to \$6M (for example)	
II.A: 3.1)	Definition and implementation of convenience for recycling has changed over the life of the program.
II.A: 3.2)	Current model for providing convenience by way of CZ RCs is working but needs modification.
II.A: 3.3)	OK with new criteria for gross sales related to creating CZs but allow existing RCs to be grandfathered to continue receiving HF's in the new CZ until they are decertified.
II.A: 3.4)	"Big Box" retailers (e.g., Target, Wal-Mart) that have expanded food sales but are not currently included in Progressive Grocers Guide sites should be included with traditional grocers.
II.A: 3.5)	Anecdotal evidence - current consumers do not have redemption opportunities at the "Big Box" stores in some circumstances.
II.A: 3.6)	Other states base convenient recycling on all retail outlets that sell beverages, which is not the same as CA. CA uses full-line grocer to create a CZs.
II.A: 4.0) 4. Expand CZ from 1/2 mile to 1 mile (for example)	
II.A: 4.1)	If expanded, provide for grandfathering of existing CZ RCs.(See comments in II.A.3.3 above)

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II.A: 4.2) Provide an analysis of the impacts of any change by grandfathering. Number of sites, existing site volumes, HF paid, processing payments, CRV paid, etc.
II.A: 4.3) What criteria would be used for grandfathering? Provide a stated rationale/justification for grandfathering.
II.A: 4.4) What is the rationale for a fixed distance radius to define a CZ?
II.A: 4.5) Recommend use of criteria that are not static and can be used to define CZs (e.g., population density, business density, socio-economic indicators).
II.A: 4.6) Expanding CZ definition to one mile would stop payments of HFs to a material number of RCs.
II.A: 4.7) Unintended consequences could be the inclusion of 'old-line' RCs causing HF payments in excess of today.
II.A: 5.0) 5. Allow RC to locate anywhere in CZ and be eligible for HF
II.A: 5.1) Code enforcement and local zoning ordinances could present a barrier to implementing this idea.
II.A: 5.2) Recommended criteria are grocer location first, then offsite priority.
II.A: 5.3) Allowing an RC to site at a location other than on supermarket location would support convenient redemption.
II.A: 5.4) Allowing RCs to locate anywhere in a CZ would increase the number of RCs popping up in residential areas.
II.A: 5.5) This idea would not increase the number of RCs eligible for HF in a zone. This is about locating the RC offsite (i.e., not at the supermarket).
II.A: 6.0) 6. Lengthen the time that a CZ can be unserved (currently 60 days)
II.A: 6.1) This would decrease the incentive to secure an RC for the unserved CZ.
II.A: 6.2) Recommend increase allowable time for a CZ zone to be unserved to approx. 120 days to facilitate certification and permitting. Currently it can take longer than 60 days to do this placing the dealers in jeopardy of being required to redeem in store or pay \$100 per day option).
II.A: 6.3) The interest of the consumer should be priority and the existing requirements should be enforced as they stand.
II.A: 7.0) 7. Establish a tiered HF payment structure
II.A: 7.1) Clarifying comment – HF payments will vary based upon criteria from RC to RC.
II.A: 7.2) Caution: this idea potentially could increase the complexity and overhead costs with making HF payments by creating a more complex payment structure.
II.A: 7.3) The goal should be to simplify processes to gain efficiency.
II.A: 7.4) The current HF survey process accounts for the additional cost of CZ recycling and should not be changed or reduced.
II.A: 8.0) 8. Place a monthly HF \$ cap per CZ, but no limit to number of RCs
II.A: 8.1) Unintended consequences: de-incentivizes siting an RC in a CZ.

II.A: 9.0) 9. Eliminate HF paid to certified RCs
II.A: 9.1) Move to 14581 dialogue. Moved to Workshop #3
II.A: 10.0) 10. Limit / cap the number of certified RCs within a designated geographic area
II.A: 10.1) The number of RCs should equal the number of CZs.
II.A: 10.2) Need legal opinion as to whether Department has authority to implement a limit/cap.
II.A: 10.3) Analysis of relationship of recycling rates to served and unserved zones. Is there a correlation to the concept of convenience? (Does the ratio of served to unserved CZs correlate with the recycling rate?)
II.A: 10.4) Fixed HF payment per CZ.
II.A: 11.) 11. Administrative & Operational
II.A: 11.a.0) a) Assess a NOV on a SS site RC for failure to notify DOR that Supermarket that created the zone has closed.
II.A: 11.a.1) No comments
II.A: 11.b.0) b) Use shipping reports to calculate HF amounts. Require HF eligible RCs ship/close out inventory monthly
II.A: 11.b.1) Concern that internal Department operating costs could be saved at the expense of RCs who could incur additional costs or loss of income due to change in operations required. Request for analysis.
II.A: 11.b.2) Eliminate requirement for calendar period for HF reporting and base on DR6 claim only.
II.A: 11.b.3) Cost analysis needed for program participants versus internal Department costs and potential cash flow impacts (60 day lag).
FGW2.New: 1.0) 1 Material type that has handling fees paid on it should be processed by a PR in CA and the material should stay in CA (Only pay HFs for material collected, processed and used as feedstock by end users in CA)
FGW2.New: 1.1) Long term objective currently not possible with aluminum, but in full support.
FGW2.New: 1.2) Glass staying in the state would be of high value and would work to reduce the carbon footprint with CA glass container manufacturers.
FGW2.New: 1.3) HFs are paid to RCs who do not have control of where the material goes after end sale (after processor); HF is the wrong mechanism.
FGW2.New: 1.4) Restricting the market for UBC commodities could cost the program more by increasing RC costs. The appropriate method is processing payments and fees.
FGW2.New: 1.5) Possibly conflicts with interstate commerce.
FGW2.New: 1.6) Use other financial mechanisms to incentivize material to stay in state that has existing end-user capacity.
FGW2.New: 2.0) 2 Increase in the number of served zones and decrease the number of unserved zones

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FGW2.New: 2.1) Increasing the number of served CZs provides equity for the consumer who is required to pay CRV. Consumers should have easy and convenient redemption opportunities.
FGW2.New: 2.2) Provide population density analysis for CZs.
FGW2.New: 2.3) Would require additional subsidy.
FGW2.New: 2.4) Use of mobile recycling to serve unserved CZs. Research Hawaii's program on this topic.
FGW2.New: 2.5) Reduce required hours of operation for RCs at unserved CZs (i.e., less than 30 hours). Provide efficient use of existing employees. Employees can be shared at multiple sites.
FGW2.New: 2.6) Primary barrier to siting RCs in unserved CZs are local ordinances.
FGW2.New: 2.7) Another barrier to serving unserved CZs is inadequate volume of material/lack of profitability in unserved CZs.
FGW2.New: 2.8) The current method for determining CZs needs to be redefined because it is out-of-date within today's economy.
FGW2.New: 2.9) Issues with property management not wanting RCs on their property. Property owner does not have a stake in the program.
FGW2.New: 2.10) Unbalanced negotiation due to statute. Property owner, supermarkets, RC operator. Supermarket and RC are bound by statute: property owner is not. The owner is leveraging this to their benefit; increasing costs to the RC or supermarket and to the program.
FGW2.New: 2.11) Current statute regarding agreements between property owners, supermarkets and RCs is unenforceable.; Department has no authority in the negotiations.
FGW2.New: 2.12) AB 3056 caused an increase in rents impacting profitability of RCs, which impacts HF cost survey results and processing fees/payments.
FGW2.New: 2.13) Currently CA has reduced requirements for dealers' responsibility to redeem UBCs compared to other programs in the country, but retains the feature of dealer responsibility in order to ensure convenient redemption.
FGW2.New: 3.0) 3 The dealer or SS should not be the recycler of last resort because it is not the appropriate business to perform recycling - it is contrary to their primary business
FGW2.New: 3.1) The mandate on the dealer to redeem in-store (if CZ is unserved) should be removed. There are currently sufficient recycling opportunities and the mandate is not needed.
FGW2.New: 3.2) Removal of the mandate for in-store redemption will collapse part of the program. In-store redemption is the norm domestically and internationally.
FGW2.New: 3.3) There needs to be a responsible party that can be held accountable for providing convenient redemption opportunities. Currently this is the dealer.
FGW2.New: 3.4) Consumer redemption can help lower Green House Gases (GHG). This is due to combining consumer activity using the same resources for more than one activity.
FGW2.New: 3.5) Use incentives, not penalties, to provide/induce redemption opportunities not CZs determined by supermarkets.

FGW2.New: 4.0) 4 How population centers relate to retail centers should be a greater driver of what a convenience zone is. Anchor off of other types of businesses, not just supermarkets.
FGW2.New: 4.1) Demographic analysis of residential population centers in relation to existing supermarkets and other businesses should be considered. Possible alternative for creating the "center" of a CZ?
FGW2.New: 4.2) 'Big Box' stores (e.g., Target, Walmart) are not currently defined as supermarkets because they are not included in the Progressive Grocers Guide.
FGW2.New: 4.3) Use existing research to answer the questions outlined above - do not try to re-invent the wheel.
FGW2.New: 5.0) 5 A competitive bidding process to receive HF payment (e.g., lowest bidder)
FGW2.New: 5.1) Accept lower HF payment (e.g., per container/by site/by location) as a bid.
FGW2.New: 5.2) Process where the RC would pay the State for the right to receive HF payment for a zone.
FGW2.New: 5.3) The State could franchise the operation of CZ RCs.
FGW2.New: 5.4) Would need to resolve current CZ issues prior to implementation.
FGW2.New: 5.5) Provide for exclusive "sole franchisee" for a geographic region.
FGW2.New: 5.6) Exclusive franchisor would exclude the private marketplace - eliminate competition.
FGW2.New: 6.0) 6 Only pay HF payments on material that has not achieved mandated recycling rate goal
FGW2.New: 6.1) A requirement would be removal of loss and fraud from recycling rates prior to determining eligibility.
FGW2.New: 6.2) Consequences include negatively affecting the profitability of RCs serving a CZ and negatively affecting convenient redemption.
FGW2.New: 6.3) Would unused HF payments for material that has met the recycling rate be redistributed for materials that have not achieved the recycling rate?
FGW2.New: 6.4) Perform an analysis of the effect on the current methodology if you remove the material that has met its mandate.
FGW2.New: 7.0) 7 Allow recycler centers to not accompany shipments with a DR6
FGW2.New: 7.1) Move to Program Reform - Focus Group Workshop #5