

**SB 263**

LINDA LINGLE  
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.  
DIRECTOR OF HEALTH

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P.O. Box 3378  
HONOLULU, HAWAII 96801-3378

In reply, please refer to:  
File:

**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

**S.B. 263, Relating to the Deposit Beverage Container Program**

**Testimony of Chiyome Leinaala Fukino, M.D.  
Director of Health**

**February 17, 2009  
2:45 P.M.**

1 **Department's Position:** The Department of Health respectfully opposes this bill.

2 **Fiscal Implications:** Undetermined.

3 **Purpose and Justification:** This bill requires dealers and redemption centers to pay scrap value for  
4 aluminum containers in addition to the deposit refund value.

5 The Department of Health appreciates the intent of this bill to provide an additional financial  
6 incentive for people to recycle. However, the department has concerns regarding implementing and  
7 managing such a measure and whether the financial impact to recycling companies will lead to a  
8 reduction in the number of redemption centers.

9 Markets for scrap materials are weak and prices have dropped significantly over the last few  
10 months. It may not be economically possible for certified redemption centers to pay out any scrap value  
11 at this time. It would be difficult for the department to adequately monitor whether or not certified  
12 redemption center operators were paying "current" market prices of scrap aluminum. Additionally, if  
13 operators are forced to pay scrap value on aluminum, it will raise certified redemption center operational  
14 costs. Higher costs will reduce profits.

1 Finally, for recycling companies, the high scrap value on aluminum helps offset the costs of  
2 recycling other lower value scrap materials (i.e., glass and plastic). Certified redemption center  
3 operators must accept all deposit material, not just material with a high scrap value. Before the Deposit  
4 Beverage Container Program, most recycling companies only bought aluminum because only it was  
5 profitable.

6 For all the foregoing reasons we are concerned that operators might reduce the number of centers  
7 serving the public, decrease competition, and reduce convenience for the public.

8 Thank you for the opportunity to testify on this measure.

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**To: Senator Mike Gabbard, Chair  
Senator J. Kalani English, Vice Chair  
Committee on Energy & Environment**

**Fr: Terry G. Telfer, President  
Reynolds Recycling**

**Date: Tuesday, February 17, 2009, 2:45 pm, Conference Room 225**

**Re: Testimony against SB 263, Relating to the Deposit Beverage Container Program**

Thank you for the opportunity to testify on this bill.

Reynolds Recycling is strongly opposed to SB 263, Relating to the Deposit Beverage Container Law

Reynolds Recycling operates the largest network of redemption centers in Hawaii. Reynolds and other redemption center operators have taken great strides in helping to make the Deposit Beverage Container law a success. The Department of Health has previously stated "that the program is well on its way to reaching its eighty per cent goal of redemption of deposit containers, which is an indicator of the program's success".

Reynolds believes that the current law, which allows market freedom for certified redemption centers, is the best way to handle scrap value issues with regards to deposit beverage containers. No bottle deposit law state requires the payment of scrap value.

As a tool to draw in customers, paying scrap value may be an effective marketing technique for redemption centers with low overhead, such as those which have little or no field operations. Some recyclers do offer this to customers. For those companies who have large field networks however, this scrap value is key to allowing us to maintain the current redemption network, including locations in rural areas which might otherwise not be serviced, and or improve service for increased consumer satisfaction. Handling fees alone do not cover the costs associated with running a redemption network.

Reynolds Metals Corporation, the world's largest network of recycling and Buy back centers closed its doors in 23 states because it could no longer afford to pay people to recycle, and run a profitable business. If this law is passed most Hawaii recyclers would also likely close, or would require increased handling fees to continue to operate.

As a leader in Hawaii's recycling industry, Reynolds Recycling remains committed to protecting Hawaii's future by recycling today, and in the future. We strongly oppose SB 263.



Senator Mike Gabbard, Chair  
Senator J. Kalani English, Vice Chair  
Committee on Energy & Environment

HEARING      Tuesday, February 17, 2009  
                  2:45 pm  
                  Conference Room 225  
                  State Capitol, Honolulu, Hawaii 96813

**RE:      SB263, Relating to the Deposit Beverage Container Program**

Chair Gabbard, Vice Chair English, and Members of the Committee:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii.

**RMH stands in opposition to SB263**, which requires dealers and redemption centers to pay the scrap value for aluminum containers in addition to the deposit refund value.

Considering that it has not increased since the program began, it is highly unlikely that the handling fee paid by the Department to the dealers, redemption center operators and recyclers covers all their costs of operation. While the market value of scrap aluminum fluctuates, it remains a source of revenue for redemption center operators to help offset rising costs of doing business in Hawaii. SB263 will increase expenses as operators deal with longer and slower-moving lines, greater number of employees, and higher accounting and reporting costs.

It has taken some time, but the Deposit Beverage Container Redemption program is working effectively and efficiently. According to a press release from the Department of Health, the redemption rate "remains high at 73%." Mandating greater cost burdens on redemption center operators could adversely impact the program by reducing the number of centers.

We respectfully urge you to hold SB243. Thank you for your consideration and for the opportunity to comment on this measure.

Carol Pregill, President

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To: The Honorable Mike Gabbard, Chair  
The Honorable J. Kalani English, Vice Chair  
Senate Committee on Energy and Environment

From: Laura Kay Rand, Vice President of Corporate Services  
Goodwill Industries of Hawaii, Inc.

Date: February 17, 2009

Re: **Testimony opposed to S.B. 263 – Relating to the Deposit Beverage Container Program**

We applaud the legislature for its leadership in the area of recycling. While we appreciate the intent SB263, we oppose this measure which seeks to incentivize more consumers to recycle by requiring dealers and redemption centers to pay the scrap value for aluminum containers in addition to the deposit refund value.

Goodwill Industries of Hawaii currently operates six (6) redemption centers on Oahu and in Hilo. Although the HI-5 redemption program makes a valuable contribution to the state's recycling efforts, the one and a half cent (1½ ¢) fee received for operating this program is not enough for it to break-even. There are significant administrative costs associated with the HI-5 redemption program, including multiple reports and audits. In order to break-even, we need the redeemable value of the scrap metal which is sold as a commodity. As it is, we are already struggling with the significant decreases in the commodity market. If this measure is passed, non-profits like Goodwill may be unable to maintain recycling services which will affect the jobs created by this program.

Goodwill Industries of Hawaii is a 501(c)3 non-profit organization providing educational and career development programs for people with disabilities and other employment barriers, including welfare dependency, economic and resource barriers, lack of education/work experience, illiteracy and disadvantaged youth. Goodwill Industries of Hawaii, Inc. helps people with employment barriers to reach their full potential and become self-sufficient.

Since 1959, Goodwill Industries of Hawaii has provided small classes, on-the-job training, and placement services to fulfill our mission to put people back to work. Last year, Goodwill Industries of Hawaii served more than 9,400 individuals throughout the state in its career development and training programs and placed over 1,800 into jobs. It is our belief that any individual who wants to work should be able to work, and that work is a basic right that will assist people to attain other life goals.

Employment strengthens communities at all levels. Working citizens provide tax revenues to the government and are able to purchase goods and services from community businesses. Businesses run at top-efficiency when fully staffed with trained and motivated employees. When its citizens are employed, government is able to re-direct tax revenues to provide fundamental community services rather than family/individual financial public assistance.

Thank you for this opportunity to provide testimony on this matter.



# **WINDWARD AHUPUA'A ALLIANCE**

From the Peaks of *Na Ko'olau* to the Outer Reefs

*Community-Based Planning  
Sustainable Economic Development  
Restoration, Preservation, Protection & Public Access  
Educational & Cultural Programs*

## **COMMITTEE ON ENERGY AND ENVIRONMENT**

*Senator Mike Gabbard, Chair*

*Senator J. Kalani English, Vice Chair*

2:45 pm

Tuesday, February 17, 2009

Conference Room 225

### **SB 263 - RELATING TO THE DEPOSIT BEVERAGE CONTAINER PROGRAM**

**Oppose**

My name is Shannon Wood speaking on behalf of the *Windward Ahupua'a Alliance* in opposition to **SB 263 - RELATING TO THE DEPOSIT BEVERAGE CONTAINER PROGRAM.**

Although recycling businesses pay for other kinds of scrap metals, there is no need for them to pay out additional money to recycle cans & bottles. The HI-5 buyers get all but a penny back which is hardly a burden even in today's economic doldrums.

In the aggregate, it's a lot cheaper to pay 900,000,000 pennies to process most of our cans & bottles than it would be to have many of them lie along the side of our roadway or let the rest wind up in our landfills as most of them did before the original bill went into effect in 2005.

Furthermore, there would be little incentive for most recycling businesses to even offer these services if they have to pay both by the pound and by the piece. That penny would not cover their costs.

Therefore, I urge that you defer further action on this bill.



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SB 263  
RELATING TO THE DEPOSIT BEVERAGE CONTAINER PROGRAM

Senate Committee on Energy and Environment

Public Hearing – February 17, 2009  
2:45 p.m., State Capitol, Conference Room 225

By

Jacqueline Miller, Environmental Center  
John Cusick, Environmental Center  
Peter Rappa, Environmental Center

SB 263 would require that the dealer pay the redeemer of aluminum containers the full scrap value in addition to the full refund value. We are testifying as individual faculty and our views do not represent an official position of the University of Hawaii.

Since the State already collects an additional one cent when the consumer purchases the beverage to cover the cost of implementing the recycling program and pay those who actually collect the containers, it seems quite reasonable that the redeemer should receive the scrap value of the product in addition to the full refund value. This additional monetary benefit for recycling aluminum products, even though it may be modest, is yet another means to encourage recycling and minimize waste to landfills. Perhaps even more significantly, it also encourages reuse of a natural resource.

Thank you for the opportunity to comment on this bill.