



Overview of Handling Fee Evaluation Results for the Deposit Beverage Container Program

Handling Fee Evaluation Results

The evaluation of current handling fees was performed under contract by Crowe LLP (Crowe) for the Hawaii Department of Health (DOH). The handling fee evaluation results will be used by the DOH to implement updated handling fees, effective October 1, 2023, to September 30, 2024.

Exhibit 1 provides the updated handling fees for glass and plastics (combined PET #1 and HDPE #2); aluminum/bi-metal handling fees will remain the same.

Exhibit 1 Handling Fees by DBC Material Type Effective October 1, 2023

DBC Material Type	Updated Handling Fee
Aluminum / Bi-Metal	\$0.034
Glass	\$0.092
Plastics	\$0.044

Evaluation Methodology

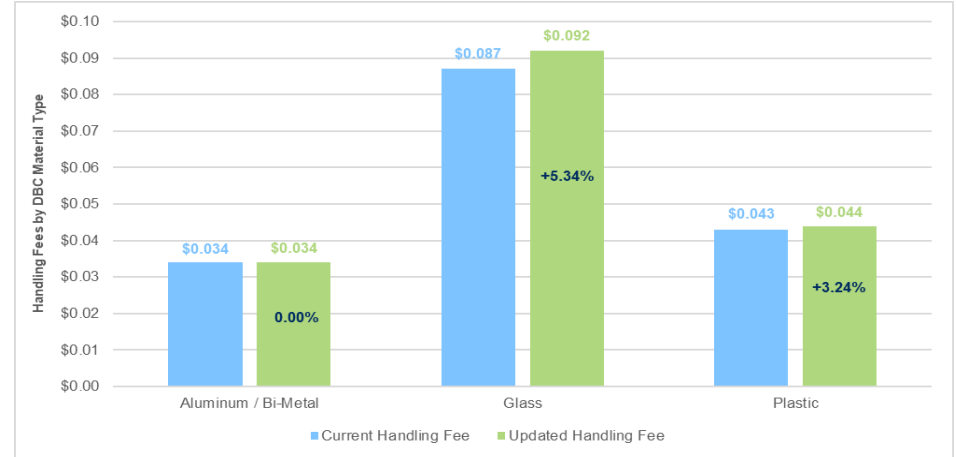
Crowe evaluated current handling fees paid to Certified Redemption Centers (CRCs) by examining the following factors:

- Relevant economic indicators (e.g., wage index, consumer price index, health care premiums, off-island shipping costs for glass, and fuel prices)
- Historical and current scrap market conditions for aluminum, glass, and PET #1 based on survey and market data
- Fiscal impacts to the DBC (Deposit Beverage Container) Special Fund through Fiscal Year 2027.

After examining these factors, Crowe prepared updated handling fees based on adjustments to CRCs' weighted recycling costs for each material type to account for projected increases in the net cost of recycling. The updated handling fees are based on the following formula:

$$\text{Updated Handling Fee} = \frac{\text{Current Handling Fee}}{\text{Fee}} \times \text{Adjustment}$$

Exhibit 2 Handling Fees by DBC Material Type, Current vs. Updated



Handling Fee Increase Factors

Crowe relied on the glass shipping survey results to account for projected increases to CRCs' off-island transportation costs and the Hawaii Consumer Price Index (CPI) from March 2022 to March 2023 to account for projected increases in CRCs' other recycling costs. The Hawaii CPI increased 2.99% (less energy and food prices) from March 2022 to March 2023.

Crowe's review of historical and current scrap market conditions indicated that current aluminum scrap prices are still favorable in comparison to pandemic lows while current glass and plastics (PET #1 and HDPE #2) scrap prices have remained relatively unchanged since last year. As a result, Crowe did not adjust the current aluminum handling fee rate.

Exhibit 2 provides a comparison of the current and updated handling fees by DBC material type. Glass handling fees were adjusted by 5.34% and plastics handling fees were adjusted by 3.24%.

Exhibit 3 summarizes rationale for the updated handling fees effective October 1, 2023, through September 30, 2024, for each DBC material type based on Crowe's examination.

Exhibit 3 Rationale for Updated Handling Fees

Aluminum

The Hawaii CPI increased from 2022 to 2023, however, current aluminum scrap prices in combination with current handling fee payments should be sufficient to cover the costs of recycling aluminum while providing a reasonable return. The DOH increased aluminum handling fees in 2019 through 2021 when aluminum market conditions were not favorable.

Glass

Glass scrap prices continue to be historically unfavorable. The DOH will implement updated handling fees for glass to account for continued unfavorable scrap prices, increased glass shipping costs, and cost of living cost increases. The updated handling fees for glass should be sufficient to cover the costs of recycling glass.

Plastics

The DOH will implement updated handling fees for plastics to account for static scrap prices and cost of living cost increases. The updated handling fees for plastics should be sufficient to cover the costs of recycling plastics.