



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, 2022, to September 30, 2023.

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

Exhibit 1 Handling Fees by DBC Material Type Effective October 1, 2022

DBC Material Type	Updated Handling Fee
Aluminum / Bi-Metal	\$0.034
Glass	\$0.087
Plastics	\$0.043

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 2026.

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:

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

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



Handling Fee Increase Factors

With the exception of the wage index, the relevant economic indicators reflected market corrections from 2020 to 2022 due to easing of pandemic related volatility. As a result, Crowe relied on the Hawaii Consumer Price Index (CPI) from May 2021 to May 2022 to account for projected increases in CRCs' recycling costs. The Hawaii CPI increased 6.96% and 4.3% (less energy and food prices) from May 2021 to May 2022.

Crowe's examination of historical and current scrap market conditions indicated that current aluminum scrap prices have significantly improved and are even higher than 2018 levels while current glass and plastics (PET #1 and HDPE #2) scrap prices have remained relatively unchanged since 2018. 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 and plastics handling fees were adjusted by the May 2021 to May 2022 Hawaii CPI increase of 6.96%.

Exhibit 3 summarizes rationale for the updated handling fees effective October 1, 2022, through September 30, 2023, for each DBC material type based on Crowe's examination.

Exhibit 3 Rationale for Updated Handling Fees

Aluminum

Aluminum scrap prices are at an all-time high since 2018. The DOH increased aluminum handling fees in 2019 through 2021 when aluminum market conditions were not favorable. The Hawaii CPI increased between May 2021 and May 2022, 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.

Glass

Glass scrap prices are historically unfavorable. The DOH will implement updated handling fees for glass to account for continued unfavorable scrap prices and higher than normal cost of living cost increases. The updated handling fees for glass should be sufficient to cover the costs of recycling glass.

Plastics

PET #1 scrap prices have rebounded since 2020 and are at approximately 2018 levels. The DOH will implement updated handling fees for plastics to account for static scrap prices and higher than normal cost of living increases. The updated handling fees for plastics should be sufficient to cover the costs of recycling plastics.