

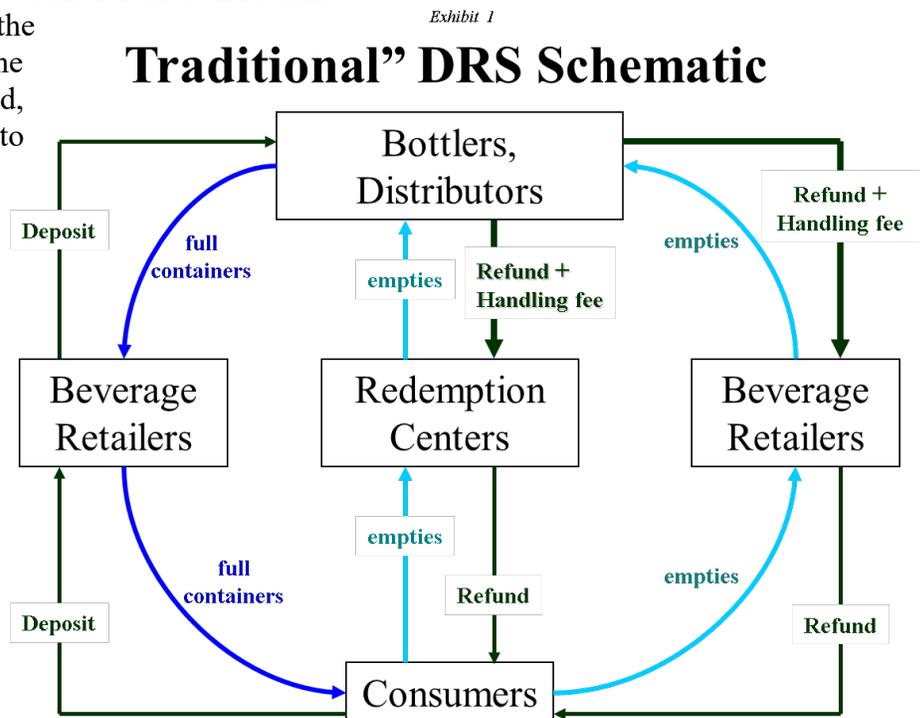
# How Deposit Systems Work: Distributor-Run Programs

The eight DRS adopted between 1971 (Oregon) and 1983 (New York) followed virtually identical models. The laws became more complex with time as people wrote more expansive language to address issues that had arisen in the early states, but the laws effectively created a system that mirrored the system for refillable bottles. The products covered by the laws (carbonated soft drinks and beer) were sold and distributed by the same companies that sold and distributed refillables, so there was a delivery driver for the bottler at every customer account delivering product and these laws required that that bottler must also arrange to remove the empty containers from the customers' locations, just as they did with refillables. Exhibit 1 outlines the operation of this "traditional" system in simplified form.

These systems are managed, operationally and financially, by the bottler or distributor. The containers they sell to retailers and retailers then sell to consumers carry a deposit (usually a nickel) that is paid at the time of purchase: first by retailers to distributors and then by consumers to retailers. At the end of a day's transactions, the delivered full containers are all in the hands of consumers and the container deposits are in the hands of the bottler.

When consumers return empties to a retail store or redemption center (usually defined as a standalone business where redemption of containers is the sole activity), the consumers are reimbursed for their deposits. The stores and centers are then visited by each bottler (or its agent) to collect the bottler's containers (laws generally require empties to be sorted by distributor so each company can account for its own returns and refunds). Bottlers reimburse the retailer or redemption center for the deposit they paid to consumers and, in most states, pay a handling fee to the redemption site to help defray their expenses; handling fees are mandated and set in the laws.

The bottler can then process the material for market and sell it. Originally distributors retained unclaimed deposits to offset expenses, but many states have amended their laws so the state takes the unclaimed deposits, on the grounds that they are abandoned property and therefore they escheat<sup>1</sup> to the government.



<sup>1</sup> Escheat (or escheats) is a legal term used in this context as a noun as a synonym for unclaimed deposits.

Over time, these programs and laws have evolved reflecting local patterns for the favored style of redemption, how pickup duties are shared (or not), who operates the system, the role of technology such as reverse vending machines (RVMs), the role of government, and the reach of the law to include additional beverages. This change in scope is particularly important in that it has extended mandatory deposits to beverages that are not sold through the direct-to-store delivery or DSD system that characterizes most of the soft drink industry and the beer industry (and for which these laws were designed).