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**Vermont General Assembly
House Committee on Natural Resources, Fish and Wildlife
Public Hearing on House Bill 67
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Written Testimony

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Chair Deen, Vice Chair Sullivan and members of the Committee, thank you for this opportunity to submit written testimony in opposition of House Bill 67, which would expand the state's bottle deposit law to include bottled water and other non-carbonated beverages.

The International Bottled Water Association (IBWA) is the trade association representing all segments of the bottled water industry, including spring, artesian, mineral, sparkling, well, groundwater and purified bottled waters. IBWA represents bottled water bottlers, distributors and suppliers throughout the United States, including several small, medium and large-size companies doing business in Vermont. IBWA's stated mission is to serve the members and the public, by championing bottled water as an important choice for healthy hydration and lifestyle, and promoting an environmentally responsible and sustainable industry.

IBWA Opposes Legislation Expanding the Vermont Bottle Deposit Law

IBWA respectfully opposes HB 67 and any legislation in Vermont that would seek to expand the bottle deposit law to include bottled water. This expansion would be little more than a hidden tax that would negatively impact consumers – particularly those who could least afford it – by increasing the cost of their grocery bills. Expansion proponents repeatedly state that one of their main goals is to reduce litter and encourage consumers to recycle. In the end, expansion would actually have very little impact on Vermont's environment, since beverage containers comprise such a very small percentage of the state's entire waste stream. IBWA supports comprehensive, multi-industry approaches to recycling and solid waste management, rather than targeting a small segment of the food industry for deposits on containers.

Open Distribution System

A major concern IBWA has with bottle deposit laws is the difficulty the bottled water industry has in administering and complying with them, due in large part to our industry's open distribution system. Most beer and soft drink distributors operate under a closed, two-way distribution system within exclusive franchise territories. This is commonly referred to as a Direct Store Delivery (DSD) system under which the distributor typically handles all product brands for a specified area of the state, and has a direct relationship with their retail customers in their exclusive territory.

Conversely, bottled water manufacturers generally operate under an open, one-way distribution system. There are no exclusive territories, and bottled water manufacturers do not have one distributor for their products. They may sell directly to food wholesalers, drug wholesalers, chain retail stores, distributors of other products and services, and directly to consumers as well. Geographic areas or brands of products do not define these distribution channels. Whether it is the bottled water manufacturer or the distributor or the retailer who initiates a mandatory deposit, a Vermont bottle bill that includes bottled water under an open distribution system will cause significant burden to the bottled water manufacturer, regardless of the state in which that bottled water manufacturer resides.

For example, a bottled water manufacturer in Maine could sell product to a food wholesaler in New Hampshire, who then services hundreds of different retail outlets in the Northeast, including many in Vermont. Within the open distribution system, the bottled water manufacturer in Maine has no way of knowing which products the New Hampshire food wholesaler sells to Vermont stores and which products the wholesaler sells to stores in other surrounding states. Since the Maine bottler has no way of knowing which stores received its product, initiation of the deposit becomes extremely complicated, if not completely unworkable. In addition, collection of empty beverage containers would not be possible because the bottler has no relationship with the retail outlets that ultimately received its product. This complicated but very real example can equally apply to a Vermont-based bottled water manufacturer selling product to food wholesalers and chain store distribution centers in Vermont and throughout the Northeast.

Home and Office Delivery

Vermont bottled water manufacturers that service home and office delivery (HOD) accounts could also be covered under a Vermont bottle deposit law expansion that includes bottled water. In addition to the customary five and three gallon reusable water bottles, many HOD bottlers deliver multiple-sized containers to meet their customer's water needs, including small package water bottles which are not reusable. HOD bottled water manufacturers or distributors engaged in the sale of bottled water would have to collect a deposit for these small pack containers. Customers who wanted their deposit returned would have to store empty containers in their home or office until the bottler delivers the next supply, or transport the empties to a retailer excepting containers or redemption center themselves. The easiest option for the HOD customer who purchased smaller non-reusable bottled water containers would be to place those containers into a curbside bin for pick-up.

Based on the current language of HB 67, products that are mainly the domain of HOD, which would be 3 and 5-gallon containers, would be included in this bill. This would be a major burden for suppliers of HOD products since HOD businesses require the bottles to be returned to them for reuse and most have existing recycling contracts to handle these containers when they are recycled. IBWA believes this would also be a major issue for the state in terms of being able to properly handle any type of redemption on such containers since they would not be returned into the system similar to other containers.

Harm to Small Businesses

Above are just a couple examples of the wide channels within the bottled water industry's open distribution system, and the complications that arise in attempting to comply with bottle bills that include bottle water. Within the open distribution system, the bottled water industry routinely deals with non-traditional outlets that have never been in the business of collecting and honoring deposits or storing empty containers. The open system of distribution is too extensive for a seamless bottle deposit program, and the added costs for the bottled water industry to implement and comply with a bottle bill in Vermont would be extensive. Those added costs would force Vermont bottled water manufacturers to raise their prices, and in particular would make some Vermont water bottlers far less competitive in the marketplace to those larger companies that also sell carbonated soft drinks within the current system. Depending on deposit and handling fee amounts, we would estimate that the price of a case of bottled water in Vermont could rise anywhere from 30-50% if covered under a bottle bill. Smaller Vermont bottlers fear the loss of retail customers to those larger companies who already have the ability to manage bottle bills in other states. Retailers might also limit the number of brands they carry to products from companies already are participating in the bottle deposit programs. This may result in reductions in choices of brands available to consumers, and at a higher price. All these factors could easily increase out-of-state cross-border sales of bottled water, as well as redemption of water bottles in Vermont that were not originally purchased there.

Fraud and Over-Redemption

An expanded bottle deposit law that includes bottled water will likely result in significant over-redemption of bottled water containers from several of Vermont's neighboring states that do not have mandatory deposits on bottled water. For bottlers, there is no distinction on a product's label for product sold in Vermont versus product that is sold in a neighboring state, and Vermont's bottle bill does not adequately address the very real problem of fraudulent over-redemption. And criminalizing bootleg bottle redemption does nothing to address the financial hardship such over-redemption would place on bottlers and distributors. Fraudulent over-redemption would further drive up Vermont bottled water manufacturers' costs, which would ultimately lead to increased prices for consumers.

Bottled Water for Emergency Purposes

Vermont is of course not immune to fires, floods, hurricanes and compromised water systems, and the bottled water industry is always there to donate or sell bottled water as needed during those difficult times. Look no further than the devastating impact of Hurricane Irene and the

resulting tropical cyclone and the emergency response that was required. Thousands of people were without clean, safe drinking water for an extended period of time. It is in instances such as this that the bottled water industry comes to the aid of citizens in keeping people hydrated. IBWA is concerned that Vermont's existing bottle deposit program does not take situations like this into consideration, and we believe if the bottle deposit law is unfortunately expanded to bottled water, there should be flexibility within the state's bottle deposit program to suspend collection of deposits on bottled water for emergency purposes. It would seem unfair to charge a deposit on donated product or product that was needed when safe and clean drinking water was otherwise not available.

Effective Date

The bottle deposit law expansion amendment, as currently drafted, provides for an effective date of July 1, 2017. Based on the bottled water industry's recent experiences with bottle deposit program expansions in Connecticut, New York and Oregon, we believe that an effective date of two (2) years out from enactment is the most realistic to ensure that implementation and compliance is most effectively and efficiently handled by both industry and the state. This action takes into account the time needed for re-labeling of bottles with regard to deposit information and creating a pick-up system for any new covered products by the implementation date. By suggesting a later effective date we are in no way showing support for the proposed expansion, but rather are only advocating for additional time to implement the requirements should expansion unfortunately occur.

IBWA Supports Comprehensive Recycling

IBWA supports comprehensive, multi-industry approaches to recycling and solid waste management, rather than targeting a small segment of the food industry for deposits on containers. IBWA's policy on recycling is as follows:

The International Bottled Water Association (IBWA) is dedicated to the comprehensive management of bottled water packaging to provide the highest quality, cost effective and environmentally responsible containers possible. IBWA and its members approach packaging issues in a manner emphasizing the most effective and efficient solutions to reduce the strain on the environment while taking into account the equal responsibility of all solid waste generators. Consideration must also be given to behavioral solutions, such as public education and enforcement of existing recycling and litter control laws.

One comprehensive solution IBWA supports is curbside recycling programs in which residents can put all their recyclables into bins for collection at their curbs. Curbside recycling is clean and convenient for consumers, and it's green for the environment because it dramatically increases recycling rates. The approach is effective in cities and towns because it lowers collection costs and tipping fees, while simultaneously increasing revenues. Bottle deposit laws address an extremely small percentage of the entire waste stream, and also harm existing curbside recycling programs by removing from those programs valuable supply material that has a high demand in

scrap markets, such as aluminum cans and PET and HDPE plastic bottles. This reduces the overall revenues to cities and towns for their curbside recycling programs, which can actually lead to failure of those programs. Curbside recycling programs are far more successful if more recyclables are available to fuel their success. This leads to even more recycling for all products, and at a lower cost to citizens, towns and the environment. IBWA also supports efforts to increase away-from-home and public space recycling as part of a comprehensive and sound strategy for solid waste management in Vermont.

All bottled water containers are 100 percent recyclable; and of all the plastics produced in the U.S., PET plastic bottled water packaging makes up only 0.92 percent – less than one percent. Moreover, according data derived from Beverage Marketing Corporation and the Container Resource Institute, bottled water containers make up only 4.9 percent of all drink packaging in landfills.

Even with continuing growth and increased consumption, bottled water still has the smallest water and energy use footprint of any packaged beverage. The results of a 2014 IBWA benchmarking study show that the amount of water and energy used to produce bottled water products in North America is less than all other types of packaged beverages. On average, only 1.32 liters of water (including the liter of water consumed) and 0.24 mega joules of energy are used to produce one liter of finished bottled water.

The bottled water industry is a strong supporter of our environment and our natural resources. In fact, a life cycle inventory (LCI) conducting by Quantis in 2010 shows bottled water's environmental footprint is the lowest of *any* packaged beverage. Key findings of this study show that water is the least environmentally impactful beverage option and that bottled water is the most environmentally responsible packaged drink choice. The study also found that:

- Sports drinks, enhanced waters and soda produce nearly 50% more carbon dioxide emissions per serving than bottled water
- Juice, beer and milk produce nearly three times as many carbon dioxide emissions per serving than bottled water
- Milk, coffee, beer, wine and juice together comprise 28% of a consumer's total beverage consumption but represent 58% of climate change impact

In 2009, IBWA commissioned an LCI by Franklin Associates to determine the environmental footprint of the United States bottled water industry. The results indicate that bottled water has a very small environmental footprint. In fact, the PET small pack and Home Office Delivery (HOD) bottled water industries combined emit 6.8 million tons of CO₂ eq. a year, which is equivalent to 0.08 percent of total United States emissions. The production, packaging, and transportation of HOD and small pack bottled water consumed in the U.S. in 2007 required 107.4 trillion BTU. Thus, process and transportation energy use for the bottled water industry was 0.07% of total U.S. primary energy consumption. The LCI also states, at 1.08 million tons, bottled water packaging discards account for 0.64% of the 169 million tons of total U.S. municipal solid waste discards in 2007.

To that end, IBWA has approved an innovative framework for a Material Recovery Program that can serve as the blueprint for local communities to increase recycling through the support and participation of all stakeholders. This program will assist in developing new, comprehensive solutions to help manage solid waste in communities throughout in the United States by having all consumer product companies work together with state and local governments to improve recycling and waste collection efforts.

IBWA's Material Recovery Program framework supports state-authorized public/private corporations that: 1) establish in each community specific recycling goals to increase recycling access and rates; 2) generate revenue for grants from annual consumer product company producer responsibility fees and local/state government contributions; 3) fund local government recycling infrastructure improvements and consumer education programs; and 4) dissolve when local recycling goals have been met.

The bottled water industry has also gone to great lengths to reduce the environmental impact of its packaging in other ways, including developing new technologies in product packaging such as the use of recycled content, reduction of plastic used in caps and shrink-wrapping, and reduction of paper used in labels and shipping cardboard. Furthermore, the bottled water industry is continually developing additional ways to reduce its environmental footprint from production to distribution to consumption. This includes development of "green" bottling facilities, as well as utilization of more fuel efficient means of producing and transporting product to market.

Conclusion

IBWA fully shares this Committee's desire to increase recycling in Vermont and thereby keep this great state clean and sustainable. Our Vermont members have an incredibly rich history here and are deeply committed to environmental stewardship through comprehensive recycling. In the end, taking a serious and long-term look at Vermont's entire waste stream, rather than focusing on the minuscule segment of the waste stream that beverage containers make up, will serve everyone very well.

Thank you for your consideration of IBWA's opposition to HB 67 and any legislation that would expand the state's bottle bill to include bottled water, and please do not hesitate to contact IBWA with any concerns or questions.