

Christy Ketchel

From: Todd Bouton <todd.bouton@fdcv.com>
Sent: Friday, March 23, 2018 11:06 AM
To: Jim McCullough
Cc: David Deen; Christy Ketchel
Subject: RE: S.285 Expansion of bottle bill
Attachments: Redemption Center letter - copy 1.29.18.pdf

Follow Up Flag: Follow up
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Hi Jim,

Carbonated beverages that are covered under the bottle bill can enter the market through the following at a minimum, or have at one time or another:

- WB Mason
- UNFI
- AG of New England
- Amazon

In this list there is an Office supply vendor, two general merchandise distributors and an online retailer. I am sure there are many others. In some cases there is no intent of harm, it is just that large out of state distributors have arrangements with our same suppliers and they enter other markets with no knowledge of the local laws (or maybe they do not care).

In regards to wine clubs, there are no reporting requirements that I am aware of. It is hard to tell how much is sold but if you google wine clubs that can ship to Vermont you get a sense of the magnitude of the situation. It is also inevitable that this will grow rapidly as brick and mortar retailers continue to decline due to the popularity of online shopping.

The fact of the matter is that there is virtually no regulatory effort in Vermont regarding the bottle bill. The good people at ANR do not have the resources to do much. Cathy Jamieson has always been very helpful and I work well with her but there is no way she can keep the system in check. A great example of the frustration that Vermont distributors feel is illustrated in the attached letter. This letter was recently written as a response to our investment in investigating a fraudulent practice that was going on for years. New Hampshire municipalities were systematically sorting deposit containers from their drop off centers and returning them to Vermont redemption centers. They hired personnel to do this and rented uhaul trucks weekly to bring them into the state. We found through our investigation that a letter was written back in June of 1996 from the Vermont ANR to the town of Keene New Hampshire stating that it was ok to bring over the containers. Distributors were never told that this was being discussed and allowed. All those years we were paying 8.5 cents per container for these containers. Other New Hampshire municipalities joined in over this period from 1996 to 2017.

All of these examples are why the distributors become very upset when the taking of unclaimed deposits and or expansion of the bottle bill are discussed. The vast majority of people do not understand what goes on within the system. The costs associated with managing it and the affect it has on our ability to compete against neighboring states and now online retailers is extremely detrimental to our wellbeing.

We feel that as distributors we do have a responsibility in being a steward of the environment. We have suggested in the past that a per unit fee be collected on all containers in lieu of a bottle bill. This would be less discriminatory since it could cover not only beverages but other consumer goods as well. These monies could go toward supporting waste haulers and collection facilities who are better suited for the task.

Although I cannot argue that Cider should not be part of the bottle bill I still feel that any expansion at this time further exasperates the problems I have eluded to. Why not prepare for the inevitable expansion of online sales and further market disruption by seeking a more fair and equitable solution to the waste stream while simultaneously supporting the viability of our Vermont family owned wholesalers.

I hope this answers your questions and I apologize if I have rambled on but I am passionate about what I perceive as a general misunderstanding that the bottle bill system works well and will continue to serve the state in a positive fashion.

I have testified many times and will continue to do so. I look forward to continuing my advocacy for a better system.

Regards,

Todd Bouton

General Manager
Farrell Distributing Corp.
Tel 802-657-6174
Cell 802-771-7015

From: Jim McCullough [mailto:JMcCullough@leg.state.vt.us]
Sent: Thursday, March 22, 2018 3:47 PM
To: Todd Bouton <todd.bouton@fdcv.com>
Cc: David Deen <DDEEN@leg.state.vt.us>; Christy Ketchel <CKetchel@leg.state.vt.us>
Subject: Re: S.285 Expansion of bottle bill

Thanks Todd,

I am interested in some numbers re. the out of state suppliers and, separately, wine club on line sales. Also interested in your take on adding hard cider to the list of deposits.

Notice I copied my Chair Rep. Deen and our committee Assistant Christy Ketchel on the chance you would come testify before our committee, time permitting.

Best,
Jim

On Mar 21, 2018, at 9:01 AM, Todd Bouton <todd.bouton@fdcv.com> wrote

Hi Jim, A couple of things I would ask you to consider when thinking about the bottle bill.

- The system is not a closed loop. For example, There are out of state suppliers that sell carbonated beverages to Vermont businesses who do not abide by the current law. They circumvent the system and those containers are redeemed in most cases through the commingling system. Distributors, like us, pay 8.5 cents per unit for a container we never sold. The unclaimed deposits helps offset this illegal activity.
- E-commerce – I believe you to be a buy Vermont supporter. There are wine clubs popping up every day and Amazon is seeking to enter the direct ship market for alcohol. Direct shipping of wine has already impacted Vermont distributors and will continue to do so. All that wine will be redeemed and much of it will make it through the system. They are brands already represented in Vermont so the distributors will once again pay deposit and handling fees on product they never sold.

If we truly want to support Vermont based businesses the legislature should seek to level the playing field by moving away from a deposit system whereby we lose to New Hampshire and the burgeoning e-commerce.

Adding wine does not take care of what is widely understood as a glass commodity problem and will only weaken Vermont based businesses further by creating wider price gaps with neighboring states and e-commerce sellers. We will have a competitive disadvantage and we will be paying deposit and handling fees on containers we never sold.

I have been in this business for 29 years and what once was the best recycling program is now full of problems due to the complexity of the distribution system and will only become worse as we struggle to compete against non-traditional retailers.

Thank you,

Todd Bouton

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From: Jim McCullough [<mailto:JMcCullough@leg.state.vt.us>]

Sent: Tuesday, March 20, 2018 11:41 AM

To: Todd Bouton <todd.bouton@fdcv.com>

Subject: Re: S.285 Expansion of bottle bill

Thank you for your note Todd.

I agree with the underlying need for more coverage within the bottle bill.

This bill is likely to be in my committee. I will be carefully considering testimony at that time.

Best,

Jim

On Mar 19, 2018, at 10:24 AM, Todd Bouton <todd.bouton@fdcv.com> wrote:

Representative Jim McCullough,

I am writing in opposition to expanding the bottle bill to wine. This has been a tough session for distributors in this state who collectively employ over 700 people. First, They have decided to change the franchise law from which our business valuation is built on. Secondly, There is active legislation which will take away from us the unclaimed deposits that we utilize to offset the expenses associated with managing the current bottle bill system. Lastly, this bill attempts to expand the bottle bill to wine. The push to do so is motivated by the fact that glass has no value and is difficult to handle and process. That is not a good reason to shift the problem to the beverage industry and continue putting more economic burden on the distributors. How is the e-commerce sales going to be regulated? What will it do to the border sales on three sides? I cannot hire enough people to fill my shifts now and have not had a full complement of employees for over two years. This will add a minimum of 6 employees who will do nothing but open boxes and sticker bottles.

This is not a well written or comprehensive enough letter to explain all of the nuances of this issue. Earlier this session I testified on this issue and that testimony is attached. I hope this will be reviewed and I welcome any questions you may have.

I ask that as a constituent and a business leader that you visit our facility to see for yourself the tremendous challenge of this process. Please take the time to think more globally about what the real problem is, which is glass as a commodity, and how best to solve that problem long term.

Sincerely,

Todd Bouton
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<Testimony.docx>

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