

My name is Christopher Louras, General Manager at Foley Distributing located in Rutland Vermont. We are a local, family-owned, full service janitorial, sanitation, and food service products supplier serving all of Vermont as well as parts of New Hampshire, New York, and Massachusetts. While there are no industry trade groups in Vermont or the region who I could formally represent, my testimony will certainly be relevant to, and likely reflect, the position and experiences of the many food service product distributors serving Vermont.

My testimony today will focus on three key areas of interest to the working group: 1) an overview of the sometimes complex single-use product item and food service item supply chain initiating with the manufacturer, through the distributor, and finally to the end user, 2) how changes within the industry and global marketplace currently impact that supply chain and, more specifically, how industry-related public policy affects product availability in the state of Vermont and, 3) the potential impacts of extended producer responsibility on food service product distributors and our business operations.

Within the industry, the statutory definition of “single-use product” is broad enough to encompass not only plastics and foam, but also reasonably include plant-based and plastic-like compostable cups, food containers, and flatware, as well as disposable plant-based cups, plates, and traditional take-out containers manufactured from wood pulp, bamboo, corn, and other substances that mimic paper. There are dozens of manufacturers of these items that feed the single-use product industry. Sometimes the product is shipped from a US-based factory directly to the distributor by the truckload or pallet-load, who then warehouses the items until shipped, by case or box, to the end user. Such end users include industrial accounts like a hospital, college, school district or ski resort, or smaller accounts like a convenience store, supermarket or mom-and-pop corner grocery, or traditional food service accounts like a restaurant, cafe, food truck or snack bar. However, traditional food service accounts often purchase their single-use products not from a distributor (who in turn purchased the product directly from the manufacturer), but the end user purchases the item from the same supplier from whom they purchase their food items. In these cases the distributor’s primary product line is food itself, and they offer single-use products as an amenity or filler, and consequently may not be familiar with non-food industry supply standards.

To complicate matters even more, there exists yet another level of distributor in the single-use product industry called a re-distributor, otherwise known within the industry by its short-hand name, a “ree-dee.” The companies, (many times quite large) purchase product in large quantities directly from the manufacturer then re-sell (or re-distribute) the product either directly to the end user, or to distributors like Foley (or others, for example Capital Candy, Pine State Trading, Swish White River Paper, etc) who in turn sell the item to the end user. Single-use product distributors at times will purchase the same item from the manufacturer directly or alternately from one or even two re-distributors, depending on product availability or supply chain constraints. This function makes tracking an item’s chain of custody from manufacturer to end user somewhat problematic, if not unreasonably complex.

Lastly, in today's technologically-driven world, end users not only may purchase an item they would otherwise receive from a traditional single-use product distributor, but instead purchase it on-line from an Amazon or other large warehouse retailer, sometimes at a much lesser price. Likewise some distributors, like WB Mason, may never physically handle the product they sell, but instead use a brokerage house or re-distributor to drop-ship the item to the end user, further complicating the supply chain tracking of that particular product. As presented, the supply chain processes in the single-use product industry are not as simple as one would presume, and this fact is further complicated by the condition of the current global marketplace and the domestic policy arena.

While some products are entirely manufactured in the North America with domestically-sourced raw materials, many, especially compostables, are either manufactured or sourced outside the US. Given the chaotic international trade environment, we find supply chain constraints, shortages, and/or delays associated with compostable product availability, especially with regards to China, and this manufacturing/distribution chaos creates cascading effects throughout the industry. For example, as imported compostable products become more unavailable due to trade challenges or increased usage, some end users are returning to disposable paper products. But current manufacturing capacity challenges within the domestic paper product industry (exacerbated by foam bans and import issues) result in an undersupply of certain types of single-use products. These supply chain challenges are likely to get worse as public policy decisions move, quite responsibly, toward more environmentally friendly products and packaging. Indeed, we are already seeing major national manufacturers choosing "winners and losers" in the world of distribution as these businesses recognize that they are at or overextending their capacity to manufacture product. By example, Duro, the nation's largest manufacturer of paper bags, has in some instances cut off direct customers and placed others on finite allocation because there simply is not the capacity to make enough paper bags to replace the inventory challenges created by plastic-bag bans throughout the country. Likewise, because Solo, our largest paper cup manufacturer by far, has made the business decision to honor contracts with large, national accounts because its finite capacity is stretched to the breaking point by both trade issues and foam bans, while they too are cutting supply to small distributors serving more rural areas.

I share this not to dissuade the working group or the General Assembly from pursuing policies that are clearly directed at solving legitimate environmental challenges, but simply present these facts so that the group recognizes that decisions are being made and actions taken that will in fact affect the supply and distribution networks for single-use products in the state of Vermont.

Finally, because a priority of the working group revolves around extended producer responsibility, the distributors' perspective must be given due consideration as part of the group's and General Assembly's deliberative process. As articulated above, the single-use product distribution network is too complex, too undefined, and too fractured to serve as the primary vehicle to establish and administer an effective extended producer responsibility program. The number of suppliers is far too varied and, in many instances, beyond the reach of potential

regulators and/or administrators, to effectively capture any fees, assessments, or taxes that could potentially be attributed to items entering the single-use waste stream.

Further, for those distributors, like Foley's, who have similar experience in tracking the sale of items under different programs, (such as wide-ranging manufacturer's post-sale rebate programs), we recognize that there will be significant costs and resources allocated to the administration of any program similar to any extended producer responsibility process at the distributor level. Foley's, as said, is a locally owned and relatively small player in the world of janitorial, sanitation, and food service distribution, and we've conducted an analysis of number of items, manufacturers, and customers associated our single-use product lines and have determined that we would need a 0.75 FTE (full-time equivalent at 28-30 hrs/wk) in order to effectively track, report, reconcile, and submit relevant product data if we were mandated to administer such a program. However, even that would not guarantee that manufacturers would allow "bill back" if the rebate model were to be considered for replication. In fact, the rebate model nearly always guarantees that the distributor is never "made whole" due to the onerous reporting requirements mandated by the product manufacturers. As we report sales back to the scores of manufacturers with whom we do business, we must do so in unique and different formats and templates tracking wholly different datasets and criteria. And if one datapoint does not reconcile, then reimbursement is denied. The working group must recognize that any extended producer responsibility program that necessitates distributor administration will result in not only greater unreimbursed labor costs, but likewise will most assuredly result in denial of rebates if such a manufacturer-reimbursement model is mandated by the working group.