

Testimony of Todd Bouton, General Manager, Farrell Distributing Corporation, on behalf of the Vermont Wholesale Beverage Association

Single-Use Products Working Group

October 22, 2019

Thank you for the opportunity to testify. My name is Todd Bouton, General Manager of Farrell Distributing Corporation, representing the Vermont Wholesale Beverage Association, whose members include a number of Vermont's beer and wine wholesalers. Vermont's beer and wine wholesalers are family-owned, local companies employing thousands of Vermonters. Our companies have significant capital investments in Vermont including large warehouses and fleets of trucks that deliver a wide variety of beer and wine brands to the over 1,200 licensed bars, restaurants and stores in Vermont. We are not the multi-national, out-of-state companies as we are sometimes portrayed. We have been operating the bottle deposit system in Vermont for nearly 45 years and are responsible stewards of our products and the environment.

At the onset I want to be clear that Vermont's beer and wine distributors are not here to just say no. We are open to discussing alternatives to the bottle bill for those products we sell that are not already covered, such as wine bottles. Alternatives should apply to ALL glass, not just beverages.

ANR has been hosting a series of bottle bill stakeholder meetings and there is near unanimous agreement by the stakeholders that operate the bottle bill that there are serious problems including the number of sorts retailers are required to perform, space constraints for some redemption centers, fraud in the system and ensuring nontraditional entrants to the market comply with current regulations. Vermont must address these serious operational flaws of the existing bottle bill before making any changes such as expansion to new product types.

I would like to address two issues that go largely unnoticed by the public and the legislative community in regard to the bottle bill. One has been around a long time and the other is a relatively new problem that will increase exponentially over time.

Fraud

First, the issue that has been around the longest, fraud. Deposits require a costly system of oversight and auditing of retailers and redemption centers to ensure that only deposit containers purchased in Vermont are being redeemed and to root out fraud in the system. In my 30 years I have witnessed countless cases of fraud in the system. Recently, one of our employees visiting a redemption center near the New Hampshire border captured on film a

large truck and trailer loaded with bags of empties. This vehicle with New Hampshire plates left the empties without being paid and the empties were in standard redemption center bags that distributors pay for. I have attached pictures of this vehicle. All of this suggests it is very organized. This was reported to ANR. A few years ago, the Vermont commingling group paid to investigate a situation in the Brattleboro area where a U-Haul truck with neatly wrapped pallets of empties were being returned on a regular basis. This is large scale fraud but the greatest cost comes in the form of everyday returns that are fraudulent, such as people returning bottles they never paid the deposit on. Increasing the scope of the bottle bill while the current system cannot protect Vermont businesses already negatively impacted by the bottle bill's regulatory shortcomings is unjust.

Unaccountability for Nontraditional Entrants

Second the newer issue but one that will grow exponentially. There are many nontraditional entrants into Vermont's retail beverage marketplace, including hundreds of out-of-state wineries and Internet retailers that ship wine to Vermonters. The same is true for other non-carbonated beverages. As a result, it would be extremely difficult to enforce any requirement that these nontraditional entrants into Vermont's market include on their labels the Vermont deposit insignia, initiate the deposit when they sell the wine, pick up the empty wine bottles from Vermont's 1,200 licensed retailers and pay refunds and handling fees in Vermont. Local Vermont wine distributors will be left paying these expenses while out-of-state businesses enjoy ill-gotten profits.

There are already more glass containers redeemed through the redemption system than are sold by Vermont registered deposit initiators in Vermont's commingling system. This demonstrates that Vermont is already experiencing fraudulent redemption as glass beverage bottles are purchased out of state and returned in Vermont.

There are other reasons that make expanding the current bottle bill system is less advantageous than tackling recycling for single-use products as a whole.

Deposits are Costly & Require Auditing and Enforcement

Vermont's bottle deposit system is inefficient and costly because the same containers must be counted numerous times so consumers and retailers are reimbursed for their deposits and handling fees. Each "touch" of the container adds costs to the system. Imposing a deposit and 3.5-cent handling fee on each wine bottle will increase the price of wine to the Vermont consumer and make the product more attractive to purchase on-line or in neighboring states. The Agency of Natural Resources commissioned a report by DSM Environmental Services, title "Systems Analysis of the Impact of Act 148 on Solid Waste

Management in Vermont,” dated October 21, 2013. That report found that in 2013 the existing bottle bill costs all parties including distributors, consumers, redemption centers and the state over \$11 million to operate per year. This is an extremely costly system to operate. We believe the state should consider alternatives that would better use our resources to focus on all products, rather than just beverage containers, and in doing so will get a better environmental bang for the buck.

Even if the BB were expanded to wine, the MRFs would still have lots of glass to process

The 2018 Waste Composition Report provides data about the 8,102 tons of glass, which makes up 1.9 percent of the total 422,258 tons of all mixed/municipal solid waste, including both residential and commercial/industrial, disposed of in Vermont each year.¹

The data from this report also demonstrates that glass from wine bottles and other non-carbonated glass beverage bottles comprise less than half of the glass disposed of at Vermont’s material recovery facilities (MRFs). Even if Vermont had an expanded bottle bill, MRFs would still have to process 3,347 tons of glass from other products and sources. You have heard at your meeting from a representative at Chittenden Solid Waste District that they are in the process of upgrading the technology at the MRF in Williston. Given that imposing a bottle bill on wine will still leave a significant amount of glass to be processed through the MRFs, a more comprehensive solution that will address ALL glass, and not just beverage container glass, is needed.

Negligible Environmental Benefit from Deposits on Wine

Per the data from the 2018 Waste Composition Study, expanded bottle bill glass, which includes wine bottles and non-carbonated glass beverages such as juice, accounts for 0.6 percent of municipal solid waste by weight in Vermont. Recovery rates for non-deposit glass are already very high in Vermont so there would be little environmental benefit and there is no need to impose a deposit to get the glass back.

Imposing deposits on wine bottles will also lead to a greater carbon footprint due to increased transportation that exists within the system. Wine bottles currently go from table to blue bin where they are transported to a MRF. Deposits would require extra transportation by the consumer to the retailer and then again for the wholesaler to pick it up at the retailers. Glass is heavy, increasing transportation costs.

¹ 2018 Vermont Waste Characterization Final Report, DSM Environmental Services, Inc. with support from MSW Consultants and Castleton Polling Institute, December 14, 2018, Table 11, Page 17.

Adding or Increasing the Bottle Deposits Will Drive Sales Out of State & Hurt Vermont's Economy

Imposing a deposit and handling fee on wine will cause wine sales to decrease in retail stores along all of Vermont's borders thereby reducing tax revenue generated by wine sales in Vermont. New York and Massachusetts do not impose a bottle deposit on wine. New Hampshire does not have a bottle bill and imposes no sales tax on wine or beer, giving that state an even greater edge.

Increasing the bottle deposit from 5 to 10 cents on all beverages subject to the bottle bill (beer and soda) would significantly increase the price Vermonters pay for beer and soda at the cash register (a total of \$2.40 per case for just deposits) sending more Vermonters along the border to NH without a bottle bill and NY & MA with a 5-cent deposit. Once they purchase products in a bordering state, they often return the empty beverage containers in Vermont and get reimbursed for deposits they didn't pay. Buying a case of beer in New Hampshire would come along with the added bonus of being able to return the empties in Vermont and get \$2.40 cents. This sets in motion a scenario whereby Vermont businesses lose sales, the state loses tax revenues and distributors pay for containers they never sold. This is not good business or governance.

Why beer and not wine?

I've heard this question came up at your last meeting. Historically the bottle bill was enacted as a litter control measure in the 1970s. Wine bottles were not a large part of Vermont's litter problem then and are not now. I hope my testimony today about fraud and all the nontraditional entrants to the wine market in Vermont, helped you better understand the current challenges with imposing a bottle bill on wine bottles. We already have over-redemption in glass in the Vermont commingling program.

Recommendations

We urge this Working Group to consider including the following recommendations in your report:

- The ANR bottle bill stakeholder group is considering asking for legislation to require more manufacturers to commingle to ensure they are participating in the system and to reduce the number of sorts for retailers. Please consider this and other ways to address the significant operational issues with the existing bottle bill before changes are proposed to bring additional containers into the system.
- VWBA members would welcome the opportunity to work with the state and other stakeholders on alternatives to the bottle bill that will address not just beverage containers but all products. We believe a more comprehensive solution will increase

recycle rates, generate funds for the necessary investments in technology at our solid waste processing facilities, have a greater environmental benefit, be good for the Vermont economy and be less costly for Vermonters. We urge you to direct interested stakeholders to work out the details of a proposal.

- Initiators of bottle deposits must begin remitting unclaimed bottle deposits to the state with the first quarterly payment due in January 2020. These funds are currently earmarked for water quality. As this is revenue that is generated by the bottle deposit law, we urge you to propose that a part or all of the unclaimed deposits be redirected to build up Vermont's recycling infrastructure and address other needs in Vermont's solid waste system to increase recycling rates in Vermont.

Let me finish by saying that the VWBA members that I represent fully understand our responsibility in improving the current system of material recovery and processing and are eager to work with the state and other interested parties to do so. Thank you for considering my testimony. I am happy to answer questions.

