

# Beverage Association of Vermont

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Senate Natural Resources Committee  
Testimony on H.175, An Act Relating to the Beverage Container Redemption System  
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The Beverage Association of Vermont (BAV) appreciates the diligent efforts of your committee and the working group you established to reach agreement on a number of challenging issues associated with reforming Vermont's deposit law.

As you may recall, BAV's primary message to your committee in Bree Dietly's March 18<sup>th</sup> testimony was that if the scope of the deposit law were expanded, that should occur only once a product stewardship model was implemented and operational in Vermont. The issues with sorting today result from fragmented distribution of products and lack of a centralized governance structure for the program; a stewardship organization would provide that structure and would help rationalize the operation and siting of redemption sites for consumers, broadening choices and improving service. We are pleased that the working group arrived at the same conclusion, but we are disappointed that we did not reach agreement on two particularly important pieces – the handling fee and unclaimed deposits.

Our primary concern with this most recent proposal is that it will increase the costs of operation for beverage manufacturers of all types and sizes. These additional costs will ultimately be borne by consumers who will pay more for their grocery items in Vermont at a time when inflation is already hitting Vermonters hard. Additionally, these cost increases advantage New Hampshire grocers and retailers who entice Vermonters through comparative price advantages at the shelf. Some of this advantage is explained by New Hampshire's lack of a bottle deposit or other hidden handling fees in shelf pricing, in addition to the sales tax that Vermont levies on soft drinks.

## **Handling Fee**

We know that distributor investments in the new system through the newly established producer responsibility organization (PRO) to eliminate brand sorting and to introduce alternative and expanded modes of redemption will greatly improve the system and drive down redemption center costs. Despite those investments, the bill would maintain the current 3.5¢ handling fee after expansion and the doubling of the volume of containers that run through the system. Continuing to pay the same handling fee on twice as many containers does not make sense from a business perspective. Distributors' investments in the system are costs borne by those distributors; the costs of those investments should be offset by reducing the highest cost in the system – the handling fee. Without such an offset, those added costs will ultimately burden Vermont businesses and consumers.

Additionally, maintaining the 3.5¢ handling fee after expansion will roughly double redemption center revenue, while costs per unit have been reduced. That is an unfair burden to place on distributors who will pay those higher costs and are already facing higher costs and supply chain issues common throughout the economy today. The proposed system cost study will not come until 2028, which is too late to provide meaningful relief.

We propose a reduction in the handling fee paid by the PRO to 2.5¢ once expansion begins (January 2025). This would still generate 43 percent more revenue for redemption sites who would have seen their per unit costs drop as a result of eliminating brand sorts and adding new technology.

### **Unclaimed Deposits**

We understand that the bill draft intends to direct 50% of the unclaimed deposits to the PRO from 2024 until 2030. We support this concept, but we believe the PRO should continue to retain 50% of the unclaimed deposits beyond 2030 to offset the costs of investments in the system. At the target redemption rate of 80%, half of the unclaimed deposits at that time would represent \$0.00625 (5/8<sup>th</sup> of 1¢) per return, which is certainly not a windfall for the PRO compared to a 3.5¢ handling fee. Best practices for a deposit system would require that all unclaimed deposits be retained to help fund the system.

BAV appreciates your work on H.175 and the opportunity to comment on the most recent draft under consideration.