

Testimony of Kevin S. Dietly¹
Representing the Connecticut Food Association
In Opposition to Senate Bill 1289

Co-Chairs Finch and Roy and members of the Committee, my name is Kevin Dietly and I am a Principal at Northbridge Environmental Management Consultants in Westford, Massachusetts. I am here at the request of the Connecticut Food Association and its members to comment on Senate Bill 1289 in light of the extensive research our firm has conducted regarding the operation of Connecticut's beverage container deposit law.

Northbridge provides economic, financial, management, and systems consulting services related to environmental issues. Our clients include the US Environmental Protection Agency, state environmental agencies, trade associations, and corporations. The firm has been involved in the analysis of container deposit legislation for more than 30 years.

We have been conducting research on Connecticut's deposit law since 2002 and recently completed an update of our analysis of expanding the deposit law to include bottled water. Our studies have examined the environmental and economic costs and benefits of changing the law. These ongoing research projects include data from businesses that are already or are potentially subject to the deposit law. These projects constitute the most comprehensive data collection effort ever undertaken related to Connecticut's deposit program.

Northbridge has compiled and analyzed data on deposit program operations in all 11 US deposit states. We have a detailed understanding of the operational aspects of these programs in addition to our comprehensive database of information. We are drawing on our Connecticut research and our experience with deposit laws in other states today as we assess the implications of this new proposal.

Key Provisions

1. **Expand 5¢ deposits to include nonalcoholic, noncarbonated beverages in containers** smaller than 96 ounces. This is the most costly and burdensome provision in the bill. I will detail our concerns about the high cost and low benefits of these amendments below.
2. **Raise the handling fee** paid to retailers and redemption centers to 3¢. This costly provision simply shifts some of the high cost of the current deposit system from retailers to beverage companies. Ultimately, consumers bear the burden of this expensive system and the handling fee increase offers no environmental gains – just higher costs.
3. **Claim the unredeemed deposits on noncarbonated beverage containers** for the state's use. This provision simply piles more economic burden on consumers and businesses, but ultimately will provide little benefit to the state because fraudulent redemptions will drain most of the surplus refund values out of distributors' accounts.

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The bill also contains a number of provisions designed to address concerns that have been raised in the past – namely the disproportionate burden of expansion on retailers (allowing off-site redemption centers) and fraudulent redemption (the conditional increase in the deposit value to 10¢). These “fixes” would not have a significant mitigating effect on these issues, however.

Given the limited time available to prepare and deliver my remarks on the bill, I would be glad to speak with members of committee in greater detail at a future time, especially regarding better ways to meet the objectives of Senate Bill 1289. The remainder of my comments address major concerns with the three key provisions.

1. Expanding Deposits to Noncarbonated Beverages

Connecticut would join three other states with deposits on noncarbonated, nonalcoholic beverage containers. Only Maine has a similar redemption program, however, so Maine’s experience is most relevant for Connecticut.

Expansion would fundamentally change Connecticut’s bottle bill. The deposit and redemption system that operates today would grow, but an additional system would also be created to handle beverage containers sold by companies other than the ones that sell beer and soda. The figure on the follow page illustrates schematically the changes in participants, logistics, and cost resulting from expansion.

I would like to highlight several features of the “new” bottle bill that would make Connecticut’s program more expensive for companies and consumers:

Retailers must find more space and devote more labor to redemption. Most deposit containers are redeemed through reverse vending machines (RVMs) today. Expansion will require more machines, more space (often a problem in stores where landlords restrict outside expansion), and more staff to maintain the machines.

Under expansion, however, reverse vending machines will not accommodate many of the containers. RVMs cannot handle bottles that are not round and most 64 oz juice and drink bottles (the most common package size for these products) are irregularly shaped. Similarly, bottles that are not made from PET plastic cannot be mixed with PET in machines.

In either case, retailers would have to handle many more containers by hand. Manual redemption is much more time and space-intensive, leading to high costs that get passed on to consumers. The sorting burden for retailers is also dramatically worse under expansion. Our research indicates that more than 265 brand and material sorts would be required at a redemption center for noncarbonated beverages alone. Most of the new redemption centers that open (following the dramatic increase in the handling fee) will be handling most containers by hand.

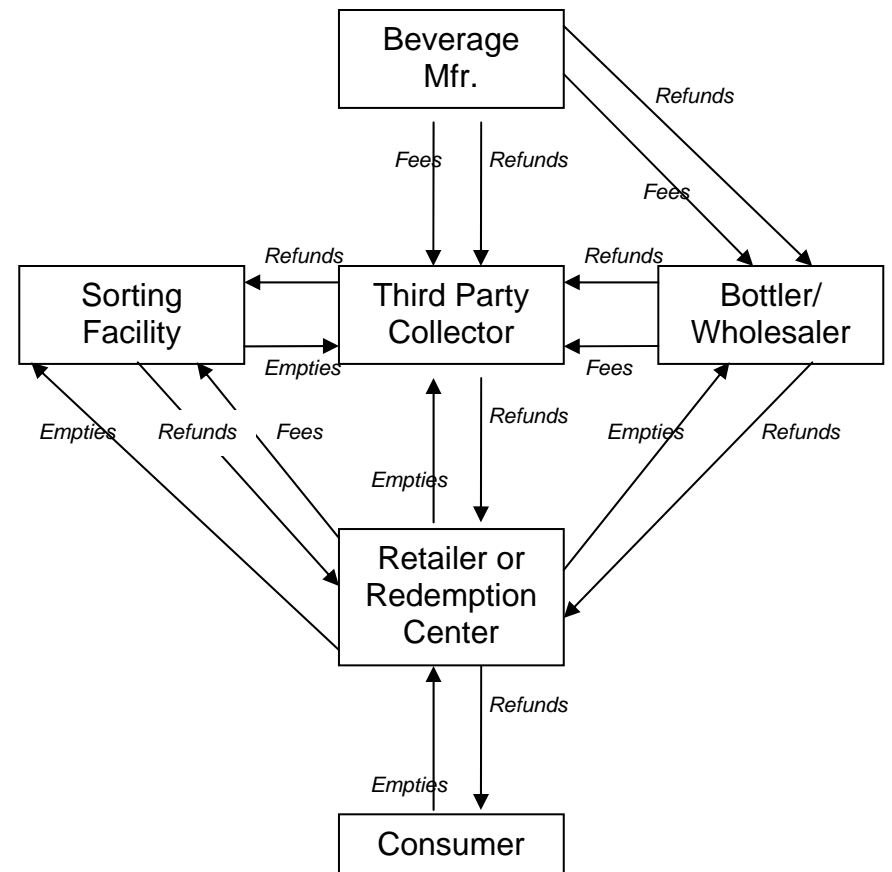
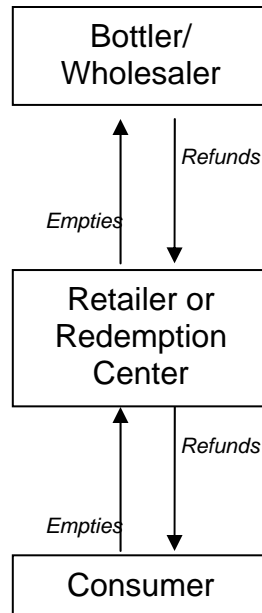
Expanding Connecticut's Bottle Bill –

Ridiculous
SB 1289: >\$5,000/ton

Simple
Curbside: \$150/ton



Complicated
Bottle Bill:
\$500/ton



Beverage distributors that currently sell deposit containers would face higher costs to pick up more containers from stores and redemption centers. Noncarbonated beverage containers would be more expensive for the companies because the container materials are not as valuable as those currently subject to deposits and the proposal would take away any unclaimed deposits that are used today to offset distributor expenses.

Beverage companies that are not currently subject to deposits face a much greater problem: they would be compelled to hire third party agents to collect containers on their behalf from all of the retail and redemption locations in the state. That third party pickup arrangement is very costly (several times more per container than for beer wholesalers and soft drink bottlers) and very difficult to monitor. Ironically, this new collection infrastructure means more trucks on the road, more energy use, and more emissions – all factors that reduce the environmental benefits from the limited recycling resulting from this measure.

Based on our past research, we estimate this expanded deposit system would cost about \$45 million per year in incremental operating costs. These costs would ultimately be passed on to consumers in the form of higher grocery prices.

2. Increasing the Handling Fee to 3¢

This provision will add \$10 million to the expense of beverage distributors already subject to the deposit law. Yet, it will not lead to a single additional container being recycled or removed from a Connecticut roadside. This amendment simply raises the cost of Connecticut's bottle bill and produces no environmental benefit. Only two states have handling fees this high: Vermont and Maine.

In addition to its expense, this provision would increase the number of redemption centers in Connecticut. When Maine increased its handling fee from 2¢ to 3¢, the number of independent redemption centers tripled.

More redemption centers lead to higher costs:

- The number of beverage containers is not increasing very rapidly, so redemption centers compete for a fixed number of containers for their livelihood. Every new redemption center draws volume away from existing centers, meaning everyone has fewer bottles and cans over which to spread their costs.
- More redemption centers means more locations from which beverage distributors or their agents must pick up empties. Making more stops to pick up fewer containers at each stop makes the redemption system more costly and creates more environmental damage.

More redemption centers mean more fraud: Redemption center growth would be most pronounced near state borders, where out of state containers could be redeemed. Every container redeemed provides revenue to the redemption centers, so they will have little incentive to turn away customers.

3. State Control of Unclaimed Deposits

Beverage distributors would turn over to the state any unclaimed deposits on noncarbonated beverage containers. Beverage distributors typically retain these unclaimed deposits to offset costs of operating the deposit system (such as paying the mandatory 3¢ handling fee for each returned container). By taking away any unclaimed deposits, this provision would add to the cost to companies, which, in turn, would raise consumer prices.

The state would, however, collect very few unclaimed deposits on these containers. As the state of Maine discovered after it passed a similar law in 1989, under-collection of deposits (resulting from the different distribution system for many noncarbonated products) and over-redemption (resulting from fraud) do not leave much in the way of unclaimed deposits. Maine's own state liquor control agency was faced with such high apparent redemption rates that it faced the prospect of paying out more in refunds than it took in in deposits. Similarly, a significant fraction of companies selling noncarbonated beverages in Maine today routinely pay out more in refunds than they collect in deposits.

In these situations, there is no money for the state. In fact, companies in Maine requested reimbursement from the state for refunds in excess of deposits collected.

The state will not generate significant funds from this provision.

What Environmental Impact?

In previous appearances before the Committee I have agreed with the intent of this legislation – to increase recycling and reduce litter in Connecticut. These policy areas have not been priorities with many state and local leaders in recent years. Connecticut's performance on these fronts has been disappointing.

But targeting beverage containers as a solution, even a partial solution, to these issues is misguided.

Noncarbonated Beverage Containers Average 1.3% of Litter

A compilation of recent litter studies² shows that noncarbonated beverage containers of all types average 1.3%. Two studies released in the last year confirm these results. Focusing litter control efforts on these beverage containers leaves the overwhelming majority of litter untouched.

Expanding the Deposit Law Would Increase the Recycling Rate by About 1/3 of 1%

It is important to remember that deposits would provide only an incremental improvement over current recycling of these bottles and cans – roughly one-third of which are already being recycled.

² "Sweating the Litter Things," *Resource Recycling*, May 2005.

Weakness in Connecticut's recycling infrastructure stems from a failure to commit adequate resources to recycling at the state and local level. Interest in recycling has diminished in Connecticut, as in many other states, but Connecticut programs have not kept up with state of the art improvements in recycling system operation. Modest investments in these programs would yield much greater environmental benefits because these programs target a wide range of recoverable materials – not just selected beverage bottles and cans.

Furthermore, national research indicates that 87 percent of all beverage containers are consumed at home, at work, or at bars and restaurants. By enhancing recovery programs for all materials in those locations, Connecticut can improve beverage container recovery as well as recovery of other materials and do so at a fraction of the cost of a deposit law.

Summary

Expanding the scope of the deposit program will only add to the cost and aggravation associated with the current system. The deposit system is already costly -- \$26 million is spent each year to operate the system of container redemption, collection, processing, and transportation. Most of the cost and activity associated with the program happen "behind the scenes," so the costs are largely buried in the overall cost of living in the state. Consumers know, however, that returning containers to stores and waiting in line at reverse vending machines is less convenient than recycling those same containers along with their other recyclables at the curb or at dropoff centers.

We do not believe that the trivial environmental improvements offered by this bill justify adding \$55 million to the expense of the deposit program. If Connecticut lawmakers wish to take meaningful steps to improve the state's litter and recycling programs, this bill represents a step in the wrong direction.