



WINE AND SPIRITS WHOLESALERS OF CONNECTICUT, INC.

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TESTIMONY OF WINE AND SPIRITS WHOLESALERS OF CONNECTICUT

In Opposition to:

Raised Bill No. 661, AN ACT EXPANDING THE BEVERAGE CONTAINER REDEMPTION PROVISIONS TO INCLUDE NONCARBONATED BEVERAGES.

and

Raised Bill No. 662, AN ACT CONCERNING THE EXPANSION OF THE BEVERAGE CONTAINER REDEMPTION PROVISIONS TO INCLUDE WATER BOTTLES.

The members of the Wine and Spirits Wholesalers of Connecticut ("WSWC") oppose Raised Bill 661, *AN ACT EXPANDING THE BEVERAGE CONTAINER REDEMPTION PROVISIONS TO INCLUDE NONCARBONATED BEVERAGES* and Raised Bill No. 662, *AN ACT CONCERNING THE EXPANSION OF THE BEVERAGE CONTAINER REDEMPTION PROVISIONS TO INCLUDE WATER BOTTLES*, as drafted. While the members of the WSWC primarily distribute wine and spirit products, they also sell and distribute limited amounts of malt based products, bottled water and other non-alcoholic beverages and, thus, will be impacted by the provisions of these bills. Specifically the members of the WSWC are of the opinion that the increase in the deposit amount (from 5¢ to 10¢), the increase in the handling fee (from 1.5¢ to 3¢) and the expansion of the bottle deposit program to include water and/or other non-carbonated beverages will result in the loss of Connecticut jobs and the increases in consumer prices.

In evaluating the present proposal one must bear in mind the costs of complying with the bottle redemption program are now, as a result of PA 09-1, born solely by the distributors and wholesalers. The costs are significant and included increased labor costs to pick-up and process the redeemed containers from retailers, additional accounting and reporting requirements imposed by PA 09-1 and the statutorily imposed handling fee, currently 1.5¢ or 2¢ depending upon the beverage type.

An additional tax. The shifting of the costs of operating the bottle deposit redemption program imposed by PA 09-1 is in fact equivalent to an additional tax imposed upon beverage wholesalers. The effect is particularly inequitable when one considers that the statutorily imposed handling fee paid by a wholesaler (deposit initiator) to a retailer (dealer) can not be offset against collected deposits. While it is tempting to think of the handling fee in terms of pennies, the total handling fees paid on malt beverages alone must be counted in the millions of dollars. Based upon the State Excise Tax Reports published by the Department of Revenue Services, wholesalers paid an estimated \$4.133 Million in handling fees for FY2008 for malt beverages alone.¹ In comparison the excise tax on beer was \$11.698 Million for the same period.

Cross Boarder Contraband. Increasing the bottle deposit from 5¢ to 10¢, absent similar action by New York and Massachusetts will result in a tidal wave of redeemable cans and bottles being brought into Connecticut from surrounding states. The motive is clear; it will simply be more profitable to redeem the bottles and cans in Connecticut than in surrounding states. It is impractical to think that manufacturers, who require

¹ <http://www.ct.gov/drs/lib/drs/research/2007alcohol> & <http://www.ct.gov/drs/lib/drs/research/2008alcohol> ; 47,846,510 annualized gallons * 8 cans/gallon * 72% redemption rate * 1.5¢ handling fee = \$4,133,938.00

over