



WINE AND SPIRITS WHOLESALERS OF CONNECTICUT, INC.

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February 2, 2008

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

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February 28, 2007

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.*

continued

flexibility to reroute product during transport to ensure an efficient a modern day distribution system and given the relative size of the Connecticut market compared to those of surrounding states, will produce product packaging unique to Connecticut. Connecticut's deposit stamp, will, as it does today appear together with that of other states with no way of identifying which in which state the deposit was initiated. Thus it will be impossible to regulate or control the cross boarder transport of redeemed containers. The effect will be that Connecticut wholesalers will be paying out neighbors to the North and West to take their trash.

Too Much Costs Amid Challenging Economic Times. While the goals of the bottle deposit program – the reduction of trash deposited in the land fills and less liter, are laudable, increasing the costs to be born by companies such as the members of the WSWC during these difficult economic times will result in the loss of Connecticut jobs. According to the latest statistic published by the Department of Revenue Services, Connecticut experienced a 5.8% decrease in the beverage alcohol wholesale sales for this fiscal year through October 2008, the latest date for which information is available.² This decline is consistent with information supplied by members of the WSWC, who consistent with the report decline, project a yearly decrease of approximately 10%. To add additional costs, either by increasing the handling fee, increasing the deposit amount (not in concert with surrounding states) or by expanding beverages included within the program will result in the loss of Connecticut jobs.

Who Are The Members of the WSWC? The members of the Wine and Spirits Wholesalers of Connecticut are a key link in the 3-Tier System which controls the distribution of beverage alcohol in this country. They purchase beverage alcohol from suppliers and manufacturers and then market and sell those products to licensed retailers – restaurants and package stores. The members of the WSWC:

- are licensed and regulated by the state of Connecticut and the federal government;
- are responsible to insure that the wines and spirits brought in to the state by manufacturers and importers are sold and distributed only to licensed retailers (package stores and restaurant);
- pay to the state in excess of \$35 million dollars in state excise taxes;
- assist the Department of Revenue Services in the collection of Sales and Use Taxes, in excess of \$114 Million Dollars annually;
- provide in excess of 1,400 direct jobs to Connecticut residents; and
- contribute in excess of \$150 million dollars in direct and in direct benefits to the state's economy.

The members of the WSWC are committed to ensuring that the best possible safeguards to prevent the sale of beverage alcohol to minors are in place and adults of legal drinking age consume beverage alcohol responsibly, while at the same time providing an efficient method of distribution which provides access to a wide variety of quality wine and spirits from all over the world.

Respectfully submitted,

Peter A. Berdon,
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² <http://www.ct.gov/drs/lib/drs/research/2008alcohol/oct08.pdf>