

Testimony of Kevin S. Dietly,
Northbridge Environmental Management Consultants
In Opposition to House Bill 6033

February 4, 2015

Good morning Chairs Kennedy and Albis and members of the Committee. My name is Kevin Dietly, Principal at Northbridge Environmental Management Consultants in Westford, Massachusetts. I am submitting testimony on behalf of the American Beverage Association and its members who produce and distribute most of the refreshment beverages sold in Connecticut.

I have studied Connecticut's bottle bill on and off since the late 1990s and have been involved in deposit program development, implementation, and operation since 1986. Most recently I directed extensive research on a proposed expansion of the deposit law in Massachusetts which was defeated in a statewide referendum in November. I also serve as manager of the Vermont Commingling Group and as the financial analyst for the Maine Commingling Group – both industry cooperatives that manage redemption in those states.

While the primary purpose of my testimony is to express our opposition to House Bill 6033, it is also important to emphasize that our opposition stems from the recognition that pouring more time, money, and effort into forced deposit schemes is counter to the broader goals of sustainable recycling and materials management that Connecticut should be pursuing.

We would prefer to discuss more progressive materials management initiatives such as those recently enacted in Delaware and Vermont. These comprehensive laws offer a more sustainable and, frankly, more popular approach rather than retreading the bottle bill - again.

Summary

- **Connecticut's 2009 expansion to include water bottles in the deposit system can hardly be called a success. In 2013 the total number of containers redeemed in Connecticut was actually 21 percent lower than it was in 2009 and the state has the lowest redemption rate of any of the 10 deposit states at 57 percent.** The windfall in unclaimed deposits for the state comes at the expense of consumers who prefer to recycle at home and therefore are really paying a tax, not a deposit, on water bottles.
- **This legislation would impose an unprecedented new burden on Connecticut retailers.** The variety of containers incorporated into the deposit law as a result of this bill would require significant new investments in space and labor by our retail customers, adding to grocery costs. Consumers would face lines at retail stores, where reverse vending machines (RVMs) would be unable to accommodate at least half of these containers; the alternative is manual counting of bottles and cans.
- **This bill would impose compliance costs of \$11 million per year on grocers and beverage producers, equivalent to adding 4.5¢ to the price of every new deposit container sold.** This is in addition to the 5¢ deposit.

- **The bill's environmental impact is almost too small to measure, with a projected change of 5/100^{ths} of one percent in the state's recycling rate – just over one additional container per resident per month.** This was based on Massachusetts data on existing recycling of these containers.
- **Expansion would take another \$1 million in scrap revenue away from municipal recyclers,** who already operate at a disadvantage in Connecticut since they lack access to aluminum cans and most PET bottles – those are two most valuable commodities in the recycling stream.
- **Expansion was rejected by Massachusetts voters 73% to 27%.** The cost and hassle of the proposal, given the broad scope of containers affected, turned voters away from the idea and made them embrace the existing recycling systems they have. A year before, Vermont's Agency of Natural Resources recommended against expanding its deposit law in light of a new comprehensive recycling law enacted there.
- **A better path forward would be improving the state's comprehensive recycling infrastructure.** Delaware's Universal Recycling Act followed this prescription and did away with that state's deposit law in 2010. This approach capitalizes on the investment and commitment to multi-material recycling. Forced deposits are an idea whose time has passed.

The Experience with Expansion to Water

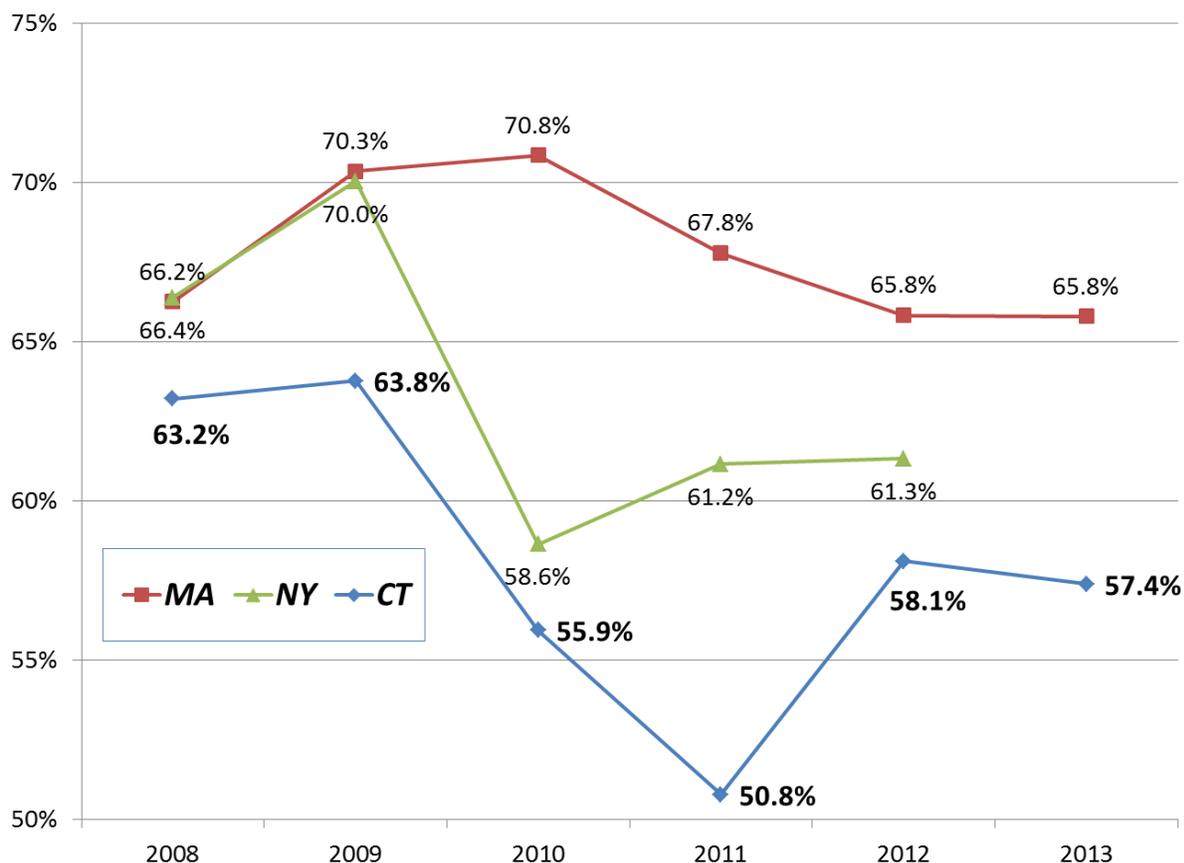
DEEP data on redemption since the deposit law was expanded to include water bottles show virtually no impact. The law included water bottles after October 1, 2009, yet the number of containers redeemed in the most recent 12 months was 21 percent fewer than in 2009. Connecticut's redemption rate dropped markedly after the expansion to water (see Exhibit 1), implying very low redemption rates for those bottles – perhaps 40 percent. The data on sales and redemptions since the expansion are somewhat difficult to explain given the drop in both sales and redemptions.

The total number of beer and soda containers redeemed in 2009 was 860 million according to DEEP, but over the last 12 months for which data are available, only 680 million were redeemed. Water bottles were supposed to add upwards of 30 percent to the number of deposit containers in Connecticut: that obviously did not occur.

So what is the promise for expanding the law further? Based on the experience with water, I suggest to you that it would effectively be little more than a 5¢ tax on beverage containers, with the proceeds flowing to the state in a little-noticed unclaimed deposit account, while consumers vote with their feet and recycle at home instead of enduring the hassles of redemption.

Exhibit 1

Recent Redemption Rates in CT, MA, and NY



Proposed Expansion

Proposal and New Products/Packages

The legislation would add deposits to certain containers for juices, teas and sports drinks. Deposits would be imposed on containers smaller than three liters made from glass, metal, or plastic, except for high density polyethylene (HDPE) containers (*i.e.*, similar to milk jugs). Paperboard and aseptic packaging (drink boxes) containing these same products would also be exempt from deposits. It is unclear what the rationale is for excluding HDPE, while including other plastics with much less value and far fewer markets.

Only three US states impose deposits on these types of beverages and none is as selective as the proposed definition in this bill, which would likely cause significant confusion for retailers and consumers. The states that impose deposits on similar beverages include Maine (since 1989), California (since 2000), and Hawaii (since 2004). None of these states has a redemption system like Connecticut's as I will discuss further below.

1. High Costs to Food Stores

Connecticut grocers would bear the brunt of a more complicated deposit law and that means higher grocery prices. Many of the products that would be added to the law would require manual counting and sorting in stores, rather than redeeming them through reverse vending machines (RVMs). Manual redemption is far more space- and labor-intensive for retailers. The resulting costs would be significantly higher on a per-unit basis than experienced under the existing deposit law.

The products affected by the proposal come in a wide range of packages including some materials, sizes, and shapes not found in products currently subject to deposits. Steel cans, non-PET plastics, very small cans and bottles, and bottles that are made with handles or that are not round would have to be redeemed by hand, meaning consumers must come inside the store and stand in line at a customer service counter to return empties. Customer service staff would have to count containers individually, store them, and subsequently separate them by brand, material, and size.

Based on our review of products sold that would be subject to this bill, we estimate that about 55 percent of the new deposit containers would have to be redeemed manually, rather than through RVMs. Retail stores do not have the staff or space to accommodate the manual redemption of these containers.

It is worth noting that the other three states with deposits on these types of containers have completely different redemption systems in which retailers do not handle a significant share of returns. It is therefore unprecedented for these kinds of beverage containers to be returned to retail locations in large numbers. In Maine where a limited number of these containers are returned to stores, the costs per unit for redemption are extremely high.

2. High Costs to Collect and Transport Containers

Because the products affected by this bill are made by many companies not currently involved in the deposit program, this bill would require new infrastructure for the retrieval of these containers from stores across Connecticut. The manufacturers of juices, teas, and sports drinks do not typically distribute these products through local bottlers, but rather through grocery wholesalers. That means that another party must be hired to put trucks and drivers on the road to pick up empties from retail accounts and transport them for processing. Because all of the returns must be kept separate by brand, this kind of pickup is also significantly more burdensome than what occurs today under the existing deposit law.

Between retailer costs to redeem containers and these new pickup and processing costs, we estimate new operating costs (net of scrap value) of \$11 million per year or about 4.5¢ per container sold; this is in addition to the 5¢ deposit.

3. More Revenue Taken from Local Recyclers

Connecticut's deposit law already keeps between \$10 and \$20 million worth of commodity value from recyclers in the state, by channeling a significant share of aluminum and PET (the two most valuable components in the recycling stream) into the deposit system.

Imposing deposits on juices and similar beverages effectively force consumers to pull these containers out of their existing recycling bins and carts and haul them back to the store if they want a refund. As a result, this proposal would shift another \$1 million away from recyclers – making it harder for local recycling programs to cover their costs at a time when sources of local revenue are shrinking.

4. Minimal Environmental Gain

Research in Massachusetts found that the recycling rate for noncarbonated beverages (not subject to deposits in the Commonwealth) averaged 78 percent from households and roughly 45 percent overall. Given the performance of the expansion to water in Connecticut, it is not at all clear that any incremental recycling at all would result from the deposit.

Based on our 2014 analysis in Massachusetts, we would project incremental recycling of just over one container per person per month. It is uncertain what off-setting environmental impacts would result from expansion. Certainly the additional trucks required to handle these containers would generate emissions, especially since new modes of collection would be required for these products. And the additional consumer travel to redeem containers is uncertain, though it has been shown to be a significant factor in research conducted in Vermont and Massachusetts.

5. Who Pays? The Consumer.

At the end of the day, this proposal is all about increasing consumer prices at the store, higher recycling fees at home, and more time and hassle tied up with the bottle bill.

- The high cost of redeeming these containers would be passed along to consumers in the price of beverages and other grocery items. We have estimated that just to cover these costs the price of the average beverage container would have to increase by 4.5¢ in addition to the 5¢ deposit. In reality, the additional costs would likely be spread throughout the store – to all departments – as a way to cover the costs.
- At home, residents would ultimately pay more for their town's recycling program because the deposit law continues to draw the most valuable commodities out of the recycling bins and carts. With less revenue to cover costs, user fees and property taxes would rise.
- Lastly, this change to the deposit law would create an unprecedented hassle for consumers as they try to redeem the wide range of containers affected by the proposal. In order to redeem many of these containers, consumers would have to wait at customer service counters in stores while employees count and sort the bottles and cans by hand.

The bill would compound the complexities of the program, driving up costs and making recycling less convenient and efficient. I urge your rejection of this proposal and encourage you to consider more effective and sustainable approaches to improving recycling.

Other States

Delaware's experience since the replacement of its deposit law with a universal recycling law in 2010 offers a sharp contrast to that of Connecticut. Delaware's recycling rate is moving higher, even before the full effect from the legislation has been taken into account, while Connecticut has little to show from expansion besides higher consumer costs. Delaware's experience and research in Vermont show that investment in comprehensive recycling systems offers greater environmental benefits at significantly less cost than creating, expanding, or maintaining a container deposit system.

In addition to those policy changes, a very public debate over expansion of the bottle bill in Massachusetts resulted in a resounding rejection of that approach by voters last November. I will begin with a few words about that.

Massachusetts Question 2

Proponents of an expanded bottle bill have promoted the approach every legislative session in Massachusetts since 1996. While advocates touted grassroots support among their membership, it was never clear if the support was widespread and the bill never made it out of the Legislature. Proponents finally chose to go to the ballot after threatening that approach many times in the past.

Question 2 would have expanded the deposit law to include all nondairy, nonalcoholic drinks in metal, glass, and plastic; the resulting scope would be similar to Connecticut's program if this bill were enacted. Proponents touted the past success of the bottle bill; opponents focused on the evolution of recycling and the popularity and simplicity of non-deposit approaches to recycling. The opponents won soundly with 73.5 percent of the vote.

Delaware's Universal Recycling Act

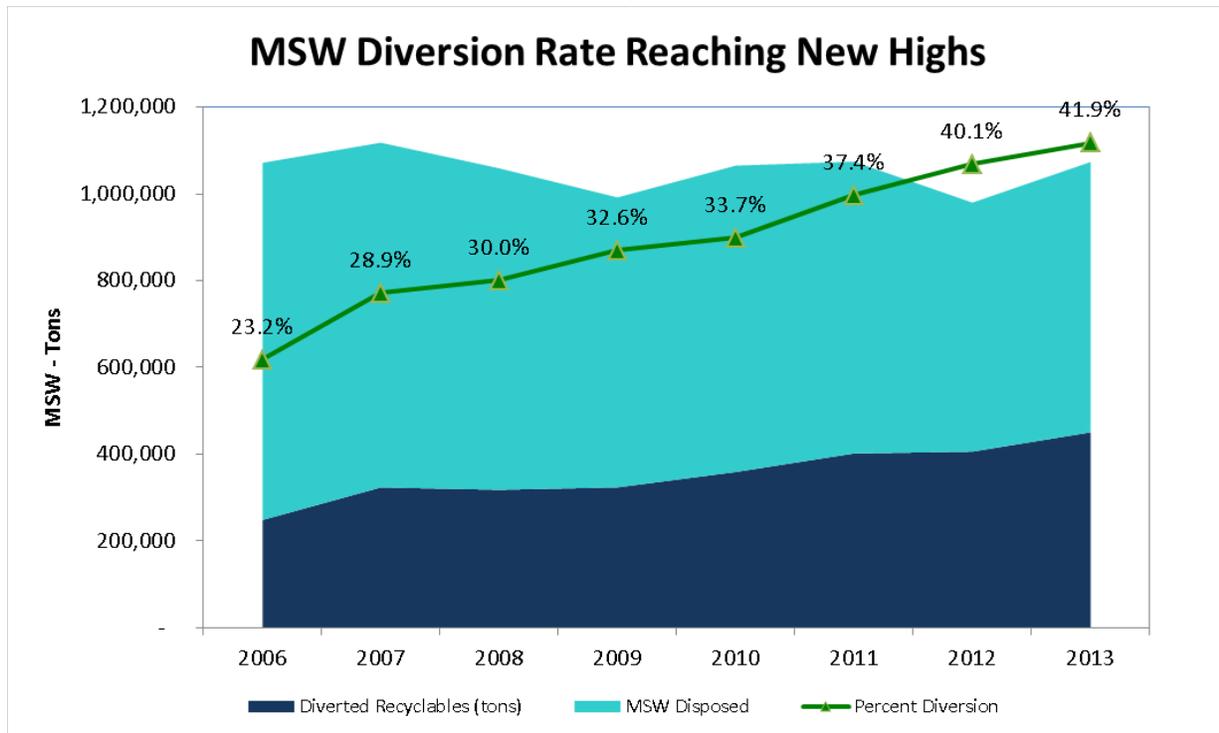
In 2009, the Delaware legislature voted to repeal its deposit law, citing poor performance, high costs, and potential conflicts it created with emerging recycling programs. Governor Markell vetoed the bill, however, saying a replacement plan was needed first; in 2010, the legislature passed the Universal Recycling Law, it was signed by the Governor, and a new era in recycling began.

Senate Bill 234 abolished the state's failing beverage container deposit program and created a program ensuring universal access to recycling statewide beginning with single family households, then multi-family units, and, as of January 1, 2014, commercial establishments. All waste haulers in the state must offer their customers free single-stream recycling service with the costs embedded in trash fees. Among other investments, the state has seen \$16 million in new capital spending and now has the ability to process all in-state recyclables locally.

Delaware offers a lesson in the benefits of greater access to recycling, use of best practices, funding, and leadership. Exhibit 2 shows what has happened to municipal solid waste (MSW) recycling rates in Delaware over the last five years. No other state has seen recycling rates move up to this degree over this period; Delaware may not meet the ambitious goal of 50 percent

diversion of municipal solid waste by 2015, but it will be close and is moving upwards like no other state.

Exhibit 2



Vermont's Act 148

The Committee should also note the important new legislation in Vermont that calls for comprehensive statewide recovery of recyclables and organics over the next decade. This ground-breaking law is on par with the Delaware Universal Recycling Act in that it represents a significant political commitment to greater waste diversion and recovery. The Vermont law, however, did not provide as clear a path forward in terms of implementation and funding.

In the interim, Vermont's Agency for Natural Resources (ANR) conducted an evaluation of the current solid waste management system and various alternative scenarios for the future in which access to recycling and organics recovery both increase. The State looked at scenarios in which the bottle bill was either eliminated, remained in place, or was expanded. **The Agency has recommended not expanding the law and waiting to see the impact of broader recycling access before making a decision to recommend replacing the deposit law altogether.**

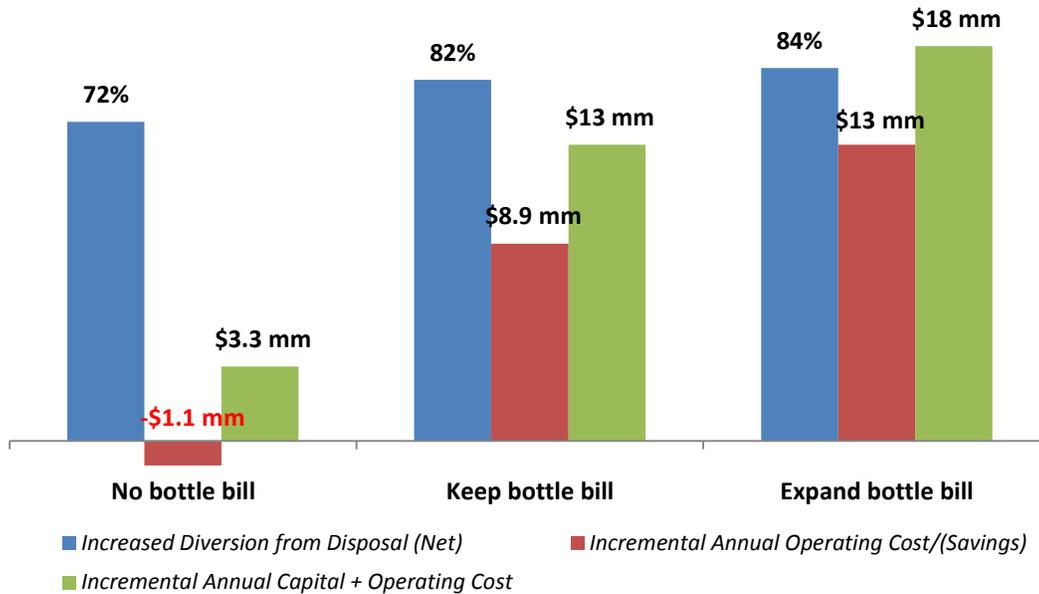
Act 148 passed in 2012 requires:

- Parallel access to recycling and solid waste disposal by 2015 for all residents
- Public space recycling throughout the state by 2015
- Variable rate pricing for waste disposal with recycling costs embedded in refuse costs
- A 2015 ban on disposal on mandated recyclables, a 2016 ban on yard waste disposal, and a 2020 ban on landfill disposal of food waste with mandatory source separation of organics for high-volume generators beginning in 2014

Act 148 will dramatically increase waste diversion and recovery in Vermont (Exhibit 2).¹ Eliminating the deposit while implementing the rest of Act 148 represents the most cost-effective option analyzed in the report, increasing recycling 72 percent over baseline levels while the ***incremental operating costs of the state's solid waste system would actually decline*** because of the elimination of the \$12 million cost associated with the deposit/refund system.

Exhibit 2

Summary of VT Act 148 System Analysis



As with the implementation of the Delaware law, a broad approach to increasing diversion using best practices and cost-effective programs trumps the narrow, costly approach of using deposits to target a small and valuable part of the recycling stream.

One key factor behind the net cost savings when the redemption system is replaced is the ability of communities to use the high value aluminum and PET scrap to offset their costs. Currently distributors use the commodity value to defray the high mandated cost of the bottle bill. And while it was beyond the scope of the Vermont research, these significant increases in recovered material would generate significant new job opportunities in recycling.

Conclusion

Connecticut can do better than expanding its bottle bill if it is truly interested in improving recycling and increasing the diversion of valuable materials from the waste stream. Ultimately the time and expense required to maintain the duplicate recovery system resulting from the bottle bill can be avoided as enhanced residential, away from home, and commercial recycling infrastructure handles all materials more easily and effectively.

¹ http://www.anr.state.vt.us/dec/wastediv/solid/documents/FinalReport_Act148_DSM_10_21_2013.pdf

Our industry is deeply involved in policy discussions over recycling in many states and we have been engaged in discussions in Connecticut as well. We stand ready and willing to help chart a course for better, more sustainable recycling. That course would involve deploying best practices to more communities, implementing multi-family recycling, public space recycling, more variable rate (pay as you throw) programs, and providing better education and promotion. These are proven approaches and were recommended as part of the Governor's Modernizing Recycling Workgroup in 2012.

Thank you for the opportunity to present my testimony today.