

**Testimony submitted by
Lawrence F. Cafero, Jr.
Executive Director and General Counsel
Wine and Spirits Wholesalers of Connecticut, Inc. (WSWC)
Environment Committee Public Hearing
March 11, 2016**

In opposition to SB 384 AN ACT CONCERNING THE APPLICATION OF THE BOTTLE BILL TO WINE AND LIQUOR BOTTLES FOR PURPOSES OF FUNDING STATE PARKS

The primary purpose of this bill is the funding of state parks. The income stream proposed to accomplish this goal is to expand the “Bottle Bill” to wine and spirits containers and direct the uncollected deposits to a segregated fund for state parks.

Though the goal may be laudable, before proceeding there must be an understanding of the economic effects this bill will have on the consumer, the state and the wine and spirits industry.

The bill calls for a 15-cent redeemable deposit to be put on all wine and spirit containers and a 5-cent non-refundable handling fee to be paid by a distributor to any dealer or operator of a redemption center. Both these costs will be passed onto and/or paid by the consumer, as will other costs associated with compliance of this law. Therefor a minimum of 20-cents will be added to every bottle of wine and spirit sold in this state.

Bottle Bill States : There are only 10 states in the country which have a “bottle bill and only 4 of those states include spirit containers as part of their law. Only 2 states include wine containers as part of their law.

None of our neighboring states have bottle bill laws which include wine and spirit containers.

Industry Costs Associated with the Bill: The cost to manufacturers/ suppliers as well as wholesalers/distributors and many small retailers will be in the several millions of dollars: Wine and Spirits are currently delivered by rear loaded trucks. In order to comply with this bill, all trucks would have to be changed to side loading trucks, (similar to beer trucks) at a cost of @\$100,000 per truck, to properly accommodate the delivery of product as well as the picking up the empty containers.

Physical plants will have to be expanded to accommodate the collection and sorting of empty containers.

Infrastructure, such as loading docks and truck loading systems will have to be changed and reconfigured to accommodate the additional function of recycling. Labor costs associated with the new process will increase dramatically.

For wine products, wholesalers will have to open each case of wine and individually label each bottle. In Maine, this process adds a 34-cent additional cost to each bottle of wine.

Unlike when the Connecticut bottle bill was first introduced, the costs of these changes will not be defrayed by allowing the wholesalers to keep the unclaimed deposits. Since 2009, the unclaimed deposits or escheats go to the state or a fund for state parks, as stated in the proposed bill.

These costs will be devastating to the industry potentially closing businesses and costing jobs.

Impact on Consumers:

- € Consumers bear the brunt of the cost of deposit legislation since they cannot receive their money back without going through a complicated process: storing the containers, returning them to the store, and often waiting in a special line to receive the money. Therefore, many deposits go unclaimed. Unclaimed deposits can be interpreted as an additional tax on consumers.
- € A 15-cent per bottle deposit, in addition to a 5-cent per bottle

handling fee, means that consumers in Connecticut would pay an additional 0.5 – 2.7 percent for their wine and spirits if they wanted to continue purchasing as they did before the fee.

- € Raising the price of wine and spirits in Connecticut by a percent or two will marginally increase revenues and partially fund the recycling program, but at a high economic price. It is estimated that the tax increase will result sales of spirits declining by roughly 66,840 gallons. Sales of wine are predicted to drop more than 665,700 gallons. The combined impact would affect workers at package stores in Connecticut and result in about 385 lost retail jobs.¹ All told, 647 jobs could be lost in the state as a result of this proposal.

Economic Impact to the State: Whatever financial benefit the state will gain by the addition of wine and spirits to the bottle bill will be far out weighed by the loss of jobs, businesses and revenue as a result of consumers crossing the borders to buy in our neighboring states, **none of which**, having wine and spirits as part of their bottle bill.

	Jobs	Wages	Output
Direct	434	\$15,864,300	\$35,020,800
Supplier	89	\$6,997,000	\$18,529,300
Induced	124	\$7,874,500	\$24,151,100
Total	647	\$30,735,900	\$77,701,200

¹ Based on a model prepared on behalf of Wine and Spirits Wholesalers by John Dunham and Associates, Inc., New York, 2015, and 2014 data from the Bureau of Labor Statistics for the Leisure and Hospitality sector.

Conclusion: The expansion of the bottle bill to include wine and spirit containers will have devastating effects on Connecticut's wine and spirits industry and this state's economy. The bill will act as a tax on consumers, making Connecticut non competitive and driving the sale of wine and spirits to our neighbors across Connecticut's borders.

WE URGE YOU TO VOTE NO TO SB 384.

Who is the WSWC? The Wine & Spirits Wholesalers of Connecticut, Inc. was established in 1964 and since then has been the trade association representing wine and spirits wholesalers in Connecticut. The WSWC membership totals 56 and its members distribute the vast majority of wines and spirits sold in Connecticut. The members of the WSWC span a diversity of size, from very large to very small, but are all family owned businesses. Individually they employ as many as 230 employees and as few as one person working part-time. Collectively, they are a significant and integral part of Connecticut's economy. The members of the WSWC:

- Contribute in excess of \$200 million dollars in direct and indirect benefits to the state's economy
- Provide in excess of 1,700 direct jobs to Connecticut residents;
- Pay in excess of \$167 million dollars in wages;

- Pay in excess of \$60.2 million dollars in state excise taxes;
- Promote, market, sell, warehouse and deliver nearly 43,000 different brands; and
- Assist the Department of Revenue Services in the collection of Sales and Use Taxes in excess of \$141 million dollars annually.

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, providing access to a wide variety of quality wine and spirits from all over the world.

Respectfully Submitted,

Lawrence F. Cafero, Jr.
Executive Director/General Counsel