Testimony submitted by
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Wine and Spirits Wholesalers of Connecticut, Inc. (WSWC)
Environment Committee Public Hearing
March 11, 2019

In COMMENTARY of H.B. 7294; An Act Concerning Bottle Redemption in the State and H.B. 7296; An Act Concerning the Recycling of Glass.

Both H.B. 7294 and H.B 7296 are bills that concern recycling and the eradication of litter through various means including expansion and changes to Connecticut’s Bottle Bill. As written, neither bill specifically includes wine and spirits containers which are currently not a part of our state’s “Bottle Bill” law. Over the past several legislative sessions there has been much discussion about expanding the bottle bill to include wine and spirit containers, including “miniatures” or 50ml bottles, commonly referred to as “nips”.

I will attempt to explain the difficulties, unfairness and unintended consequences to our economy, the wine and spirit industry and the environment if wine and spirits bottles were to be included in the bottle bill.

In every state that has a bottle bill, including Connecticut, every time the bill was expanded, the wholesaler/distributor of the product effected, offset their costs, by virtue of the unredeemed deposits being kept by the wholesaler/distributor. In Connecticut, since 2009, all unredeemed deposits escheat to the state, leaving no money in the system to help the wholesaler/distributors recoup some of their costs. Connecticut stands alone in this regard. To ask distributors of products that, heretofore, have not been part of the bottle bill, to shoulder the cost of compliance with no offset is unprecedented and unfair.

Industry costs associated with compliance with the Bottle Bill. The costs to manufacturers/suppliers as well as wholesalers/distributors and many small retailers will be in the tens of millions of dollars: Wine and spirits are currently
delivered by rear loading trucks. In order to comply with the bottle bill and collect the empty containers, all trucks would have to be changed to side loading trucks, (similar to beer trucks) at a cost of @$125,000 per truck.

Physical plants will have to be expanded to accommodate the collection and sorting of empty containers. Unlike, beer, soda or water containers, wine and spirit containers come in a variety of sizes, shapes and weights, making it much more difficult and cumbersome to pick up, store and, for the consumer, redeem. (An empty standard, 750ml bottle of wine weighs 1 pound). Under our current law, no supermarket has to take back and redeem a container of a beverage they do not sell. Supermarkets do not sell wine or spirits. There is also no “reverse vending redemption machine” that exists, capable of accepting wine, spirit or miniature 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 this new process will increase dramatically.

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

**Carbon Footprint:** The requirements under this law will result in each wholesaler/distributor doubling the amount of time their trucks are on the road and burning fuel. Besides the economic cost to the industry, there is a cost to the environment.

**Bottle Bill States:** There are only 10 states in the country that have a “Bottle Bill”. Of those 10 states, only 2 states include wine and spirits containers as part of their law; Iowa and Maine.

**None of our neighboring states have bottle bill laws which include either wine or spirit containers.** As a result of this fact, cross border fraud and redemption of out of state bottles will be epidemic. Rhode Island, New York and Massachusetts, and especially the towns in those states that border Connecticut, will be flooding our state to redeem bottles bought elsewhere to get their quarter or nickel refund.

In addition to our state having to redeem bottles purchased in other states where no deposit was paid, the nature of the wine and spirit industry in Connecticut, makes it impossible to ascertain which “empties” were sold by which wholesaler/distributor
and therefore, “Who owes the refund amount to whom?” Unlike other beverage industries, wine and spirits wholesaler/distributors do not have territories. Sometimes one product is sold by multiple distributors. (i.e. Jameson Irish Whiskey is sold by 5 wholesaler/distributors in Connecticut). If a wholesaler/distributor only has 20% of the market on that brand and yet picks up 30% of the empties, they are paying out more deposit money than they took in, putting them at a competitive disadvantage.

**Container Deposits Negatively Impact 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 25-cent per bottle deposit, 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.  


“NIPS AND THE LITTER PROBLEM”: There is no denying that the proliferation of the sale and consumption of miniature bottles of spirits or “Nips”, has been a contributor to our state’s litter problem. Though some
data would show that nips are no more a litter problem than many other beverage containers, including some that already have a deposit/refund, the perception is otherwise. Those of us that are part of the wine and spirit industry take that fact very seriously and want to contribute to the solution.

Members of all three tiers of the wine and spirit industry; supplier/manufacturers, wholesaler/distributors and retail package stores will be announcing within the next two weeks, a partnership with Live Green CT, a 501(C) (3) public charity, dedicated to creating environmental and conservation programs and structures with meaningful local initiatives and projects. In conjunction with the State’s DEEP, we will launch a three part, 5 year campaign to promote and effectuate state wide litter clean up and responsible recycling, especially with regard to wine and spirit containers, particularly “nips”.

The campaign will be a five year commitment to coincide with the Global Sustainable Development Goals, Specifically 14.1, to “Eliminate all land based litter by 2024.”

The campaign’s three parts:

1. Work with and fund Live Green CT’s “Start In Your Own Back Yard” program to conduct 20 community clean-ups per year for five years.
2. Purchase and distribute 100 trash and/or recycling bins per year, for 5 years, working in conjunction and at the direction of DEEP.
3. Create and fund a five year Public Service and Public Education Campaign on litter and responsible recycling with an emphasis on “Nips” “Nip it in the Bin

Conclusion: the expansion of the bottle bill to include wine and spirits containers would have devastating effects on Connecticut’s wine and spirits industry and this state’s economy and the environment. Give the wine and spirit industry a chance and allow us to contribute to a solution without diverting our resources to comply with the bottle bill.

WE URGE YOU TO NOT EXPAND THE BOTTLE BILL TO INCLUDE WINE AND SPIRIT CONTAINERS.

NOTE: Attached to this testimony and made a part hereof is a power point presentation produced by WSWC member company, Eder Brothers of West Haven, CT
Thoughts and Concerns About Expansion of the Bottle Bill to Wine & Spirit Bottles
Bottle Deposit – What Is The Objective?

- If the goal is to help the environment by cleaning up litter, we want to be part of the solution. We’re all residents. We live on the very same streets and see the same litter as other Connecticut residents and Legislators.

- If the purpose of the bottle bill is to increase the amount of revenue the State collects due to unredeemed containers, we’re strongly opposed...
Is The Bottle Bill The Most Effective Way To Clean Up Litter?

- Redemption Rates have decreased over time

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<th>Redemption Rate</th>
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<tr>
<td>2010</td>
<td>59.4%</td>
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<tr>
<td>2009</td>
<td>63.8%</td>
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- Gould Manor Park, Fairfield CT Clean-Up & Audit (summer 2018, three separate clean-ups)

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<tr>
<td>Fragments</td>
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<td>Candy Wrappers</td>
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(smallrog,tires,5plasticsbagswithdopoopfoundinshallowareapond,cassetteimportedandjournalinfactsfoundinplasticbaginpond)
Bottle Deposit Flow Chart
The Effects On Eder Bros., Inc.

If Wine & Spirits bottles were included in the current form of the bottle bill, our compliance issues and costs would be enormous. Eder Bros., Inc. is representative of most if not all Wine & Spirit Distributors in the state in this regard.

Necessary Infrastructure Changes/Costs

Need more space in the warehouse
- We would either have to add on to the building or greatly, if not totally, occupy current flex space limiting our ability to grow in the future. [WAREHOUSE SPACE]

We don’t have the right trucks
- Wine & Spirit Distributors utilize straight trucks (loaded from the back) vs side loader (beer/soft drink) trucks. [SIDE LOAD TRUCK OPERATION]
- There is no area currently in our trucks to put recyclables coming back to the warehouse. Collecting recyclables would also take significantly more time than current deliveries. We would have to significantly increase the number of trucks in our fleet and time they were on the road (larger carbon footprint!)

We don’t have the loading doors
- We would be forced to renovate the building to add doors to accommodate the unloading and reloading of recyclables.
The Effects On Eder Bros., Inc. Cont...

Additional Personnel Costs

- Significantly increased driver time (and fuel costs)
- More drivers are necessary
- Need to hire unloaders/sorters/re-loaders for the returns
- Additional administrative costs (additional people & more time) to track the charged deposit with the return deposit
- Technology investments to accommodate the additional administrative demands
The Effects On Eder Bros., Inc. Cont...

How can we track the nickel in a Wine & Spirits Distribution Environment?

Unlike current products in the bottle bill where products are sold by 1 exclusive distributor to the retailer, some Wine and Spirits have MULTIPLE Distributors selling the SAME product.

Why the math doesn’t work in wine & spirits:

**IT'S IMPOSSIBLE TO TRACK THE NICKEL!**

A popular Name Brand spirit sold in Connecticut by 4 different distributors has a volume of approximately 6.6 Million bottles in CT per Year = $330,000 collected deposits (@ 5 cents deposit) if the Bottle Bill was expanded to Spirits bottles.

Eder has 8% market Share: 528,000 bottles = $26,400 Deposit Income to Eder

THERE IS NO WAY TO CONTROL WHO THE RETAILER WILL RETURN THE BOTTLE TO!

For $26,400 of deposit income, Eder has a potential redemption liability of $330,000 if it all came back to Eder. All coming back to Eder is unrealistic.

A more realistic example:

If Eder redeemed just 10% of CT's bottle deposits on this brand, it would cost $33,000 in redemptions.

$26,400 Deposit Income

-$33,000 Redemption Cost

=$6,600 LOSS
NY, RI, MA Trash Collectors?

Are we legislating ourselves into being other state's trash collectors? MA, NY & RI DO NOT have bottle bills on wine & spirit bottles. How do you patrol out of state bottles from coming in state for redemption?

And The Nips... (50mls)

A mid-size SUV can fit 7200 50ml's packed in boxes... much more potentially if packed loose in bags. This carload is worth $360 in deposit redemptions. It is worth the trip from Providence, Worchester, New York City or any other adjoining state's cities!
Alternative Solutions

- Partnerships with Environmental Clean-Up groups
- “Nip It In The Bin” Initiative

Distributors are in a unique position to organize dollar resources from Beverage/Alcohol to fund litter clean-up initiatives.
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.

Member Companies:

Connecticut Distributors, Inc., Stratford, CT; Hartley & Parker Limited, Inc., Stratford, CT; Eder Bros, Inc., West Haven, CT; Allan S. Goodman, Inc., East Hartford, CT; Slocum & Sons, Inc., North Haven, CT; The Winebow Group, Wallingford, CT; Opici Family Distributing, Milford, CT

Respectfully Submitted,

[Signature]

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