



*Main office: 1776 Massachusetts Ave., NW #800 • Washington, D.C. 20036-1904  
Tel. (202) 263-0999 • Fax (202) 263-0949 • www.container-recycling.org • www.bottlebill.org*

*Northeast office: Jenny Gitlitz • 2 Pomeroy Ave. • Dalton, MA 01226  
Tel. (413) 684-4746 • Fax (413) 403-0233 • Cell (413) 822-0115 • jenny.gitlitz@verizon.net*

April 6, 2006

RE: A2517/S1290: “The Bigger Better Bottle Bill”

Dear Assemblymember DiNapoli,

The Container Recycling Institute is a national non-profit organization that has tracked beverage container sales and recycling rates and public policies for 15 years. I’m writing you today to address some of the recent arguments the food and beverage industries have made in opposition to your bill (Assembly Bill 2517/Senate Bill 1290) which would update the New York State Returnable Container Law, or “bottle bill.” A2517/S1290 has three main components:

- 1) Update the deposit law to include non-carbonated beverages such as bottled water, sports drinks, teas, and juices, which now comprise over 25% of the beverage market;
- 2) Raise the handling fee paid by distributors to retailers and redemption centers from the current 2¢ to 3.5¢ per container, in order to keep up with inflation; and
- 3) Turn over approximately \$179 million in “unclaimed deposits,” currently kept by distributors and bottlers, to the state for environmental purposes.

The food and beverage industries’ *price-related* arguments against the update go something like this:

- Changes will result in dramatic operating cost increases for distributors and bottlers.
- These costs will be passed on to the consumer in the price of beverages.
- These price increases will create a hardship for consumers, thus reducing sales.
- Lost sales will result in benefits reductions or layoffs for beverage industry employees.

They have also argued that bottle bill updates *won’t result in appreciable increases in recycling*. This letter will rebut these inaccurate points.

## **A. Cost and Price Increases are Overstated**

Deposit opponents have argued that adding non-carbonated drinks to the bottle bill would increase the price of water, juice, sports drinks, and teas by 15¢ per bottle or can, or \$3.60 per 24-unit case. However, they have not revealed their cost centers in arriving at this figure.

The deposit itself, when applied for the first time to non-carbonated beverages, will add 5¢ to the purchase price of a beverage. *This nickel is fully refundable if the consumer chooses to return the container.* It is not a “hidden tax” and it is not a “children’s beverage tax.”

So let’s look at the remaining 10¢ the food and beverage industries say will be added to a beverage’s purchase price. Under the proposed legislation, beer and soft drink distributors will bear a 1.5¢ handling fee increase, which they are free to pass on to the consumer. This could add 1.5¢ to the purchase price of a carbonated beverage—an increase that is not refundable.

This leaves 8.5¢ of “mystery” costs the beverage industry has said it will incur and pass on to the consumer of carbonated beverages (15¢ – 5¢ deposit – 1.5¢ increase in handling fee = 8.5¢). As to the price of non-carbonated beverages: the same alleged 10¢ cost (not including the refundable deposit) applies. Since a new, higher handling fee of 3.5¢ will be passed on to the consumer; we can say that there are still 6.5¢ of “mystery costs.”

Yes, distributors and retailers will have to make changes to their labeling and inventory methods, and to storage, distribution and handling systems. They will need to invest further in recycling processing infrastructure, or contract with a third party to collect and process the additional containers. But will the combined cost of these new requirements really add up to 8.5¢ (or even 6.5¢) per container? We think those estimates are an exaggeration.

In 2002, Businesses and Environmentalists Allied for Recycling (or BEAR, a multi-stakeholder group which included Coca Cola) released the report it had funded for two years: “Understanding Beverage Container Recovery.” The report analyzed U.S. beverage container generation and recovery, and found that in 1999, it cost distributors an average of 3.3¢ to handle each container redeemed in the nine “traditional” deposit states.<sup>1</sup> The **weighted collection and processing cost** for distributors, retailers, redemption centers, and third-party recyclers was **4.1¢ per container**.

These costs are offset by revenues. When aluminum can, PET bottle, and glass bottle scrap revenues (average of 1.40¢ per unit) and unclaimed deposits (average of 1.41¢ per unit) were accounted for, the **weighted net system costs were 1.26¢ per container**.

If we subtract unclaimed deposit revenues, since they would escheat to New York State under the proposed updated bottle bill, the net system cost would rise to 2.66¢ per container. If we add 1.5¢ (the proposed increase in handling fee), the net system cost would be about 4.1¢ per container—less than half the “mystery” cost of 8.5¢ referenced above, and one third of the 15¢ figure the industry is putting forward when computing the extra cost per case of beverage.

*In sum, the beverage industry is inflating its cost estimates under the updated bottle bill.*

## **B. Adverse Impact of Moderate Price Increases is Unlikely**

Consumers are accustomed to a wide range of existing prices. To say that a 5¢ increase in the purchase price of beverages will drive down sales flies in the face of what we know about the elasticity of existing prices for beverages. Consumers are already accustomed to a very wide range of prices, depending on when and **where** they purchase the beverages, what **sizes** they buy, and whether the price is a regular price or a **sale price**.

On March 23<sup>rd</sup>, the Container Recycling Institute conducted a price survey<sup>2</sup> of bottled water and found that:

---

<sup>1</sup> Average of all traditional deposit states in 1999. From Table 3-4, “Understanding Beverage Container Recovery: A Value Chain Assessment Prepared for the Multi-Stakeholder Recovery Project, Stage 1.” Businesses and Environmentalists Allied for Recycling (BEAR), a Project of Global Green USA, January 16, 2002.

<sup>2</sup> Survey conducted at seven retail locations in Pittsfield and Dalton, MA. Five brand leaders were surveyed (Dasani, Aquafina, Nestlé, Dannon, and Poland Springs) as well as store brands and some specialty brands. Massachusetts has a 5¢ deposit, carbonated-only bottle bill like New York’s, and the Berkshires are close geographically to Albany.

- A six-pack of 1-liter bottles of Poland Springs retailed for **\$4.79** at Price Chopper, and **\$5.29** at the nearby Stop ‘n Shop. This is a difference of one-half of a cent per ounce, or *8 cents per bottle*, at two different chain supermarkets located within three blocks of each other.
- 24-packs of Dasani half-liter bottles retailed for **\$6.99** at Stop ‘n Shop, and **\$4.98** at the Wal-Mart around the corner—*8 cents less per bottle*.
- A 24-pack of Dannon half-liter water bottles sold for **\$8.79** at Stop ‘n Shop, while an identical package was on sale for **\$3.96** at Price Rite, a discount supermarket less than a mile away. This is a difference of *20 cents per bottle*.
- A 24-pack of Aquafina half liter water bottles was regularly priced at **\$7.99** at Stop ‘n Shop, but could be purchased at the “special” price of **\$4.99** with a Stop n Shop card: essentially a three dollar (or 12.5¢ bottle) “discount” that anyone can get--if they remember to ask for it!
- A 20-oz. single serve bottle of Dasani sold for **\$1.12** at WalMart, and for **\$1.29** at the Cumberland Farms and Sav-Mor convenience stores: *a 17 cent per bottle difference*.
- A half-liter bottle of “Desert Springs” (Price Chopper store brand) costs **30¢** if purchased in a 6-pack, **20¢** in a 15-pack, and **17¢** in a 30-pack.

These wide price differentials reveal two important things about bottled water pricing:

- 1) **Broad profit margins are being made** by the distributor/bottler and by the retailer; and
- 2) **Healthy consumer demand exists at many different price points.**

Beer pricing is also subject to significant regular increases which are in no way related to changes in the New York State bottle bill. The retail price of a 30-pack of 12-ounce cans of Budweiser, Miller, and Coors rose from \$11.50 in 2001 to \$13.50 in 2006. This is an increase of \$2.00 per 30-pack, or *seven cents per can*.<sup>3</sup> There have been no changes made to the New York State bottle bill during that period: no handling fee increase, no new beverage types added to the system, no increase in deposit value, and no change in who gets to keep unclaimed deposits. These price increases are made *regularly*, and reflect rising costs of fuel, labor and other costs, in addition to increases in profit.

***These conclusions should reassure lawmakers that there will not be massive adverse impacts on sales volume if the bottle bill is updated and if small cost increases are passed on to the consumer.***

### **C. Who Should Bear the Cost of Recycling?**

Like every other public service, recycling has a cost. The question is: Who should pay? The food and beverage industries are essentially arguing that the annual disposal and recycling of **12 billion** bottles and cans should be paid for by New York taxpayers through curbside recycling programs. Another school of thought says that beverage containers are consumer goods whose purchase price should reflect the cost of production **and** end-of-life management. This is called *producer responsibility*. The deposit system is one of the earliest public policies that put the financial onus for end-of-life management on the producer and the consumer of the good, not the taxpayer. Producers’ recycling costs *should* be passed on to the consumer. If the recycling program is successful at achieving high

---

<sup>3</sup> Personal communication with Keith Jansen, Brightwaters Beverage Center, Brightwaters, New York, 4/6/06.

recycling rates, as New York's existing deposit law is, then the *taxpayer will ultimately benefit through lower municipal costs* to collect garbage, manage recycling, and clean up roadside litter.

#### **D. Relative Efficacy of Deposits vs. Curbside**

Finally, the food and beverage industries assert that because an updated deposit law would only target about 2% of the municipal solid waste stream, it would not have a measurable impact on New York State recycling. This argument is an empty one. The goal of the bottle bill is not merely to divert **tonnage** from landfills or incinerators. Every ton of "garbage" is not created equal. Wasted beverage containers--especially aluminum cans and plastic bottles—have a disproportionate environmental impact compared to other materials. They are not only littered disproportionately to other materials in the wastestream, but they are also larger consumers of energy, and larger generators of greenhouse gas emissions, and of pollutants that contribute to acid rain.

In 2005, about 2.5 billion non-carbonated, non-alcoholic beverage containers were wasted (not recycled) in New York State. This translates into 6 thousand tons of aluminum, 73 thousand tons of plastic, and 10 thousand tons of glass. If these containers had been recycled instead, the energy equivalent of **900 thousand barrels of crude oil** could have been saved, and an estimated **30 thousand tons of greenhouse gas emissions** could have been avoided.

*It is logical to target these containers through a deposit system that has successfully and consistently achieved redemption rates above 70%.* Curbside recycling cannot make that claim. To imagine how much lower recycling would be in New York without a bottle bill, consider this:

According to the BEAR report referenced on page 2 of this letter, the average U.S. resident consumed 684 beverage bottles and cans in 1999. On average, 490 units per capita were recovered in the 10 deposit states (**a 78% recycling rate**), while less than half of that—191 containers on average—were recovered per capita in the 40 non-deposit states (**a 28% recycling rate**). Of the 191 units recovered per capita in non-deposit states, the BEAR study found that:

- **127** units were recovered through curbside programs (**19%** of units sold)
- **31** units were recovered through drop-off sites (**5%** of units sold), and
- **33** units were recovered through other means (**5%** of units sold).

But even these averages do not tell the whole story, because residential access to curbside recycling is not uniform. Only 51% of residents in non-deposit states had access to curbside programs, as compared to 76% in deposit states. When this is factored in, *a weighted average of 247 containers were recovered per person with curbside access in non-deposit states*. This is only **36%** of the **684** beverages consumed per capita, and **half** of per capita recovery in deposit states.

No matter how you slice it, "comprehensive" curbside programs have not proven to be satisfactory substitutes for deposit systems. Rather, the two systems are complementary, together achieving higher recycling rates than either system alone.

If you require further clarification on these points, please do not hesitate to contact me.

Sincerely,



Jennifer Gitlitz  
Research Director