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Mr. Wayne Gjerde
Minnesota Pollution Control Agency
520 Lafayette Road N
St. Paul, Minnesota 55155-4194

Dear Mr. Gjerde,

The International Bottled Water Association (IBWA) welcomes the opportunity to provide comments on the September 16, 2013 proposal from the Minnesota Pollution Control Agency (MPCA) to establish a bottle deposit program for beverage containers sold in Minnesota. IBWA is the trade association representing all segments of the bottled water industry, including spring, artesian, mineral, sparkling, well, groundwater and purified bottled waters. IBWA members include bottled water bottlers, distributors and suppliers throughout the United States, including several small, medium and large size companies doing business in Minnesota.

The bottled water industry is opposed to bottle deposit programs, as there are many inherent problems with a program that assess a fee on beverage containers. In Minnesota, curbside recycling and the technological advancements have made it possible to institute innovative services, such as single-stream recycling, which is having a significant impact on diverting waste from landfills and improving waste management for communities across the state. However, one of the major problems with a beverage container deposit program is the lack of focus on the larger issue of recycling of all materials and consumer products.

Although MPCA was directed by the Minnesota Legislature to address increasing recycling of beverage containers, it would be a mistake to simply focus on one segment of the consumer products industry. Data derived from EPA figures demonstrates that plastic water bottles make up less than one-third of one percent of the U.S. waste stream. A comprehensive and effective recycling effort must include all food and consumer products. If the state's overall goal is to reduce litter, reduce the amount of waste heading into landfills, and provide the necessary tools for its citizens to assist in this effort, then the MPCA and the legislature must take a broader view of this issue.

IBWA and Recycling

IBWA supports comprehensive, multi-industry approaches to recycling and solid waste management, rather than targeting a small segment of the food industry for deposits on containers. IBWA's policy on recycling is as follows:

The International Bottled Water Association (IBWA) is dedicated to the comprehensive management of bottled water packaging to provide the highest quality, cost effective and environmentally responsible containers possible. IBWA and its members approach packaging issues in a manner emphasizing the most effective and efficient solutions to reduce the strain on the environment while taking into account the equal responsibility of all solid waste generators. Consideration must also be given to behavioral solutions, such as public education and enforcement of existing recycling and litter control laws.

IBWA supports curbside recycling programs which are clean and convenient for consumers, and green for the environment because they dramatically increase recycling rates. Curbside recycling is also great for cities and towns because it lowers collection costs and tipping fees, while simultaneously increasing revenues.

Bottle bills address an extremely small percentage of the entire waste stream, and also harm existing curbside recycling programs by removing from those programs valuable supply material that has a high demand in scrap markets, such as aluminum cans and Polyethylene terephthalate (PET) and high density polyethylene (HDPE) plastic bottles. This reduces the overall revenues to cities and towns for their curbside recycling programs, which can actually lead to failure of those programs. Curbside recycling programs are far more successful if more recyclables are available to fuel their success. This leads to even more recycling for all products, and at a lower cost to citizens, towns and the environment. IBWA also supports efforts to increase away-from-home and public space recycling as part of a comprehensive and sound strategy for solid waste management in Minnesota.

To that end, in June 2010, IBWA approved an innovative framework for a Material Recovery Program that can serve as the blueprint for local communities to increase recycling through the support and participation of all stakeholders. This program will assist in developing new, comprehensive solutions to help manage solid waste in communities throughout in the United States by having all consumer product companies work together with state and local governments to improve recycling and waste collection efforts.

IBWA's Material Recovery Program framework supports state-authorized public/private corporations that: 1) establish in each community specific recycling goals to increase recycling access and rates; 2) generate revenue for grants from annual consumer product company producer responsibility fees and local/state government contributions; 3) fund local government recycling infrastructure improvements and consumer education programs; and 4) dissolve when local recycling goals have been met.

Cost to Consumers

For consumers, a bottle deposit system is nothing more than a hidden tax - one that can be ill-afforded during these difficult financial times. This increased expense will impact not only customers but also retailers and bottlers throughout the state. Minnesota residents and visitors will be paying more for bottled water and other bottled beverages without having a significant effect on reducing the amount of litter in the waste stream. A tax of \$0.10 per container would raise the cost of a case of 24 bottles of water by \$2.40, nearly doubling the price. Moreover, implementing a beverage container deposit program, which would accompany the existing state recycling infrastructure, consumers would now be paying for maintaining two recycling systems in the state.

Cost to the Industry

At the same time, bottlers would have to absorb service and handling fees that would be passed along to the consumer. This will have a direct impact on sales and operations for even the most established bottlers in Minnesota. Retailers in the state along the border areas can expect to see a drop in sales as they will lose customers to neighboring states that do not charge a deposit.

This will be of particular harm to small water bottlers in the state who will face a significant cost in the implementation and compliance within a bottle deposit system due to bottled water industry's unique open distribution system. Bottled water's open distribution system differs from that which is utilized by most beer and soft drink distributors. This is commonly referred to as a Direct Store Delivery (DSD) system under which the distributor typically handles all product brands for a specified area of the state, and has a direct relationship with their retail customers in their exclusive territory.

Conversely, bottled water manufacturers generally operate under an open, one-way distribution system. There are no exclusive territories, and bottled water manufacturers do not have one distributor for their products. They may sell directly to food wholesalers, drug wholesalers, chain retail stores, distributors of other products and services, and directly to consumers as well. Geographic areas or brands of products do not define these distribution channels.

Small bottlers will also struggle in competing with larger bottlers that have the resources to better deal with a deposit program and also comply with deposit programs in other states. Finally, retailers may also have to limit the number of brands they carry to products from bottlers who are already participating in bottle deposit programs. Due to the cost to bottlers to comply with bottle deposit laws, many smaller bottlers may be unwilling to offer their product for sale in a state that institutes such a program.

Impact on Existing Recycling Efforts

Minnesotans have a proud and strong record on recycling that has been established over the years and has been achieved through effective curbside and drop off recycling systems. These systems have thrived due to the materials collected. By removing the most valuable recycling commodities – plastic, glass and aluminum – recyclers will be left with little product of worth within their recycling portfolio. By attempting to maintain both a bottle deposit program and curbside recycling system, the very real threat of product being pilfered from recyclers as well as neighborhood recycling efforts becomes one of public health and safety.

As many Minnesota communities begin to move to single-stream recycling, the need for a unique system that targets beverage containers becomes unnecessary and redundant. The major reason for the success of these curbside programs are ease of use. Instituting a deposit program will place an increased burden on consumers who want to redeem their deposit. The establishment of redemption centers will require special trips by consumers to return their beverage containers, which means more time, more gas and more emissions.

Fraud and Over-Redemption

Fraud and over-redemption are inherent problems in bottle deposit programs and because it borders four states, three without a deposit system, Minnesota can expect sales along the border to be reduced. Fraud leads to loss of sales (and tax revenue) and loss of jobs. Fraudulent over-redemption will lead to increased costs for both manufacturers and consumers. The bottled water industry has seen firsthand incidences in deposit states that have cost manufacturers nearly \$2 million because of fraudulent over-redemption. And criminalizing bootleg bottle redemption does nothing to address the financial hardships such over-redemption would place on bottlers and distributors.

The bottled water industry holds a strong place in Minnesota's economic portfolio. Companies in Minnesota that manufacture, distribute and sell bottled water products employ as many as 3,920 people in the state and generate an additional 9,880 in supplier and ancillary industries. These are good jobs, paying an average of \$59,843 in wages and benefits. The industry also contributes to the state's economy as a whole. In 2012, the bottled water industry was responsible for as much as \$2.7 billion in total economic activity in Minnesota. Furthermore, the bottled water industry generates sizable tax revenues in the state, with the industry and its employees paying more than \$148 million in annual property, income and sales taxes.

Conclusion

IBWA fully shares MPCA's and the Minnesota Legislature's desire to increase recycling in Minnesota and thereby keep this great state clean and sustainable. Our Minnesota members have an incredibly rich history here and are deeply committed to environmental stewardship through comprehensive recycling. In the end, taking a serious and long-term look at all products in Minnesota's waste stream, rather than focusing on the minuscule segment of the waste stream that beverage containers make up, will serve everyone's best interest.

We urge MPCA to reconsider the current proposal and instead offer a system that is less of a financial burden on consumers and businesses, a system that enhances rather than diminishes the efforts already made via existing recycling programs, and a system that takes a broader look at the needs of waste and litter management for Minnesota. In these efforts, please know that IBWA is a willing and accessible partner for further discussions and planning that MPCA may undertake in making a final recommendation to the state legislature.

Respectfully submitted,

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International Bottled Water Association