



CENTRAL DISTRIBUTORS, INC.

Maine's Leading Beverage Distributor

**Testimony in Opposition to
LD 132**

RE: An Act to Increase the Handling Fee for Beverage Containers...

**Testimony in Support of
LD 972**

RE: Resolve, Directing the DEP to Evaluate Strategies for Improving...

March 29, 2023

Good morning:

Senator Brenner, Representative Gramlich and distinguished members of the Joint Standing Committee on Environment & Natural Resources: My name is Mike Barriault, I am a resident of Auburn and I am the President and a 4th generation family owner of Central Distributors in Lewiston, a local family operated beverage distributor. Our family also operates Aroostook Beverage Co. in Presque Isle. We employ approximately 160 Maine people, about 20 of which are residents of Aroostook County. We are a member of the Maine Beer & Wine Distributors association, and I serve as vice president of the Maine Beer & Wine Commingling Group.

Our groups oppose a handling fee increase because increasing costs will just be an additional financial burden on Maine consumers and not solve any of the real problems in the bottle bill. Please remember that Maine already has the highest handling fee in the entire country - something is very wrong here. We are however in support of the resolve help find real solutions to make it more modern and efficient for everyone. Further, we have been part of an industry group that has been working very hard over the past few months to help craft a bill that will significantly reduce costs for redemption centers.

I look forward to being a part of these hearings and work sessions, and I am happy to answer any questions and to work with all of the industry stakeholders to find real solutions we can all agree on. In the meantime, I will leave you with just a few key points I hope you will consider.

1. The Bottle Bill is Expensive for Distributors and Consumers

Operating the bottle bill is very expensive. Aside from handling fees, there are also also truck costs, fuel costs, labor costs, facility/equipment costs, and ultimately recycling costs. It surprises many that because Maine is one of only two states that have wine in their bottle bill that many bottles continue to be hand labeled by our employees with a deposit sticker. We also incur costs to redeem fraudulent containers that come in from out-of-state.

Please consider that every ½ penny increase to the handling fee (on approximately 1 billion containers) is approximately \$5 million of cost that will be passed on to Maine beverage consumers. A full penny increase is \$10 million, and so on.

2. Simple Economics – Volume is Key

One of the arguments that you will usually hear is that every time the handling fee is increased, more redemption centers open. When more redemption centers open, the pool of handling fee revenue is then split among more centers. When this happens, redemption centers appear to struggle to achieve a profitable volume. But those who do achieve volume appear to do well. The economic key here is to prevent dilution of revenue among them. A new increase to the handling fee may entice more centers to open (where they are not necessarily needed), thereby diluting the revenue pool for all.

3. Redemption Business Model – Premiums / Pickup Services

We believe it would be helpful to study the volume relative to expenses of a redemption center before deciding if a handling fee increase is necessary. Not only is it important to see what kind of volume is necessary to have a center break-even, but you need to understand other areas where centers are spending the handling fee. In our area, we have seen a lot of advertising by redemption centers offering extra money on empties to entice people to return empties there (e.g. “15% extra”, or “6 cents”). This is handling fee revenue that is essentially given away. Other centers offer pickup services to bars and restaurants, which is fine, but not necessarily something that was designed to be supported by the handling fee.

4. Beverage Retail / Redemption Center – Winning Combination

Beverage retailers who also operate redemption centers offer a winning combination. Because they are partners in the beverage sales industry, they tend to

understand the sensitivities of what an increased handling fee does to the price and demand of our products. We are both working to hold the price down for our customers. Beverage retailers also have a special incentive to operate redemption centers because they can attract customers to their store. The redemption service offers more value to the retailer than strictly handling fee revenue. Look at Hannaford/CLYNK, for instance. CLYNK is a very attractive program that brings customers to their stores to drop off empties and also spend at the store.

5. Reverse Vending Machines (RVMs) / Bag Drop Models - Efficient

In an environment of increased costs and labor difficulty, RVMs appear to offer a solution of automating much of the bottle bill sorting requirements. From our perspective, while RVMs are not always a perfect solution, they do appear to offer efficiency where sorting for multiple brands, distributors, and material is significantly reduced.

The “Bag Drop” model is also a very smart change we have seen recently. Rather than waiting for their returns to be counted, a customer can simply drop their marked bags off and the money shows up in their account automatically. The redemption center also gains the benefit of not having to staff their center during low traffic times of the day or week. This is a great model for parts of the state that just do not have the volume to support a stand-alone redemption center.

6. Commingling Works / Can We Do More?

Commingling effectively decreases cost for redemption centers by consolidating sorts and pickup distributors. Our beer & wine commingling group consolidates sorts at a ratio of approximately 3 to 1 (sometimes 4 to 1). Our greater industry group has been working on programs to effectively help commingle the current non-comminglers, and even a mechanism to form a “cooperative of commingling groups” to eliminate manual brand sorting all-together. This will be difficult and expensive for our groups to achieve – but it will save time and money for a redemption centers.

Our industry members have found the way to work smarter to save cost for everyone. We are anxious to share this with you.

I appreciate this opportunity to address the Committee, and would be pleased to participate in work session and respond to any questions.

– Thank you, Mike B.