

PERSPECTIVE

## Cents and Sensibility

**The nickel bottle deposit is an outdated, ineffective law. A better idea? Charge a dime. (Even better? Can it.)**

By Thomas M. Keane Jr. | March 5, 2006

At \$1.50, the six-pack of store-brand soda I bought seemed like a good deal, until I looked at the receipt and found another 30 cents in deposits — in effect, a tax of 20 percent. Meanwhile, the flavored, sugared sports drink I also bought had no deposit at all.

The difference is grounded in Massachusetts' 1982 bottle bill, which required deposits on beer and most carbonated beverages while leaving everything else exempt. As the years have passed and fruit juices, vitamin waters, and iced teas have taken the beverage world by storm, that distinction has seemed increasingly irrational. A bottle is a bottle, after all.

Meanwhile, the nickel deposit has, through the wonders of inflation, declined in value by half. That, more than anything else, explains why the fraction of containers redeemed declines every year, from 87 percent in 1995 to a low last year of 66 percent.

The solution appears obvious. Expand the bottle bill to cover all containers. Increase the deposit to a dime (today's equivalent of 1982's nickel). And, just as important, boost the handling fee paid to middlemen (which of course is passed on to consumers) from 2.25 cents to 3 cents. The total new tax on my cheapo six-pack? A stunningly high 52 percent.

And that figure alone explains why, enviro dreams notwithstanding, it's unlikely to happen. We're no longer Taxachusetts. The Legislature rejects local-option meals taxes. Cutting the state income tax is this year's hot gubernatorial issue. In the face of that dynamic, a big new sales tax on every drink we buy simply won't fly.

Oh, I know. The deposit isn't a real tax because (excluding the handling fee) one can get it back. The problem is, that doesn't happen. We consume about half of our beverages outside the home, and few of us truck around our empties. Even at home, sorting, storing, and then remembering where to return everything is too much of a pain.

Still, if the bottle bill were effective, maybe we'd all just swallow hard and say, sure, hit me harder. But the evidence in its favor is amazingly thin.

The original law was driven by anger over wasteful throwaway bottles and tales of broken glass on playgrounds. Require a deposit, went the thinking, and bottlers would go back to using refillable containers (they didn't), and we'd all have an economic incentive not to litter. Sure enough, some officials reported litter down by 30 percent. Yet there's never been any consistent tracking of that figure and even the original claim is dubious, since beverage containers account for only 10 to 15 percent of all litter. Moreover, the bottle bill has had some perverse effects: On trash pickup days in urban areas, for example, can and bottle pickers walk around with sticks and knives, ripping open bags and leaving detritus in their wake.

Things today are different as well. Glass bottles now account for less than 1 percent of all containers, which — far more than the bottle bill — explains why one rarely sees broken glass anymore. And then, of course, there's the rise of recycling. If we voluntarily recycle newspapers, wine bottles, milk cartons, and other non-deposit items, why have a deposit at all?

The answer, advocates say, is that items with deposits are recycled at higher rates. The beverage container industry fiercely disputes the point, yet, on balance, it seems the bottle-bill supporters are mostly right. But the difference between deposit programs and other methods of recycling is not all that great. Remember, the return rate in Massachusetts for containers with deposits is 66 percent. Yet good curbside pickup programs in the state routinely achieve rates (on all materials) well above 50 percent, while some communities -- such as Royalston and Southamptton -- actually do better, with a 69 percent recycling rate.

Further, deposits are an extraordinarily expensive way to recycle. Handling fees plus forgone deposits cost consumers at least \$83.3 million in 2004. With 80,863 tons collected, that works out to an average of \$1,030 a ton. The real value of those bottles and cans, by comparison, is well below \$100 a ton.

The better solution would be to do away with the bottle bill altogether (sample slogan: "Can the bottle bill") and spend our money directly on expanding curbside programs or improving cleanup efforts. Yet bad laws, once in place, are hard to get rid of -- just look at the state's Blue Laws. More likely, the law will stay much as it is now -- a big, irrational sales tax that accomplishes little.

*Thomas M. Keane Jr. is a partner in a private equity fund and a former Boston city councilor. E-mail him at [tomkeane@tomkeane.com](mailto:tomkeane@tomkeane.com).* 