



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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July 28, 1980

✓ The Honorable Harley O. Staggers
Chairman, Committee on Interstate
and Foreign Commerce
House of Representatives

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Dear Mr. Chairman:

As you requested on May 6, 1980, we are providing
[comments on H.R. 7128] There are two general comments we
wish to make and two ancillary points. The first deals
with Section 3.(a), [which requires the General Accounting
Office (GAO) to monitor the effects of the bill on com-
petition, resource recovery, and the U.S. economy.] The
second deals with the requirement in Section 2.(a)(3),
that soft drink franchises sell their packaged beverages
in containers with refunds in order to maintain their
exclusive geographical franchise.]

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Monitoring the Bill's Effects

The General Accounting Office is in agreement with
the concept of periodic monitoring of the effects of
Federal Government programs and actions. We believe that
this type of review is an integral part of effective
government. With review, the Congress can be informed
of the intended and unintended effects of the law that
are occurring. H.R. 7128 requires GAO to monitor the
effects of the bill. We would prefer, however, to be
given the latitude to review program effects as a part
of the congressional oversight process or as a part
of GAO's ongoing evaluation efforts.

[We suggest that the monitoring function envisioned
for this program be assigned to the U.S. Environmental
Protection Agency (EPA). That agency has been involved
in resource recovery issues for many years.] EPA has
evaluated the Department of Defense's refundable beverage
container experiment as well as analyzed the beverage-
container-deposit-law issue in general. We have not
discussed the provisions of H.R. 7128 with EPA officials;
however, [EPA does appear to be most suited for the moni-
toring functions.]

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Refundable Containers and
Anti-Trust Exemption

There has been congressional debate since 1970 concerning legislation which would require that all beer and soft drink containers bear a refundable deposit. GAO published a report ^{1/} which estimated the national effects of such a law. We found the law's expected benefits to be less litter and solid waste production and less energy and raw materials usage. We also found that industry costs will increase in some areas and decrease in others.

[The practical effect of requiring franchises to market their packaged beverages in containers bearing a refund value would be to bring the soft drink industry under a mandatory deposit system.] Comparing the benefits just for the soft drink industry to the costs is difficult without additional analysis. In our 1977 report (a copy is enclosed), we did not separate the environmental and natural resource benefits according to beer and soft drinks. [There would be beverage container litter and solid waste reductions because of refunds on all soft drinks, as well as energy and raw material savings. The potential for such benefits is not as high in the beer industry because about 35 percent of the soft drink volume sold in containers is already in refillable containers, compared to 10 percent for the beer industry.] This also means that changeover costs would be less. (See Chapter 4 of referenced GAO report.)

Ancillary Points

The Federal Trade Commission's ruling that territorial franchises be invalidated to restore competition in the soft drink industry would have several effects which are germane to the requirement in H.R. 7128 that the soft drink containers all be refundable. The first is that [if the soft drink franchise loses territorial exclusivity, there is a good chance that consolidation would occur among the 2,000 soft drink bottling plants. [With centralization and consolidation would probably come a marked decrease in the share of refillable soft drink containers.]

^{1/}"Potential Effects of a Mandatory Deposit on Beverage Containers" (PAD-78-19, Dec. 7, 1977).

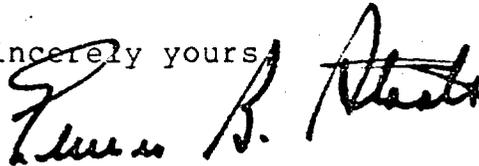
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This reduced refillable share would probably increase soft drink container litter and post-consumer solid waste, as well as increase energy and raw material usage for the soft drink system.

A second point is that if a bill, such as H.R. 7128, succeeds in effectively bringing the soft drink industry under a beverage container refund law, there could be continued pressure to enact a mandatory refund (deposit) law for the beer industry. The beer industry and the soft drink industry are usually paired in the legislation specifically targeted at the beverage container issue.

If you would like any further elaboration on these points, we would be happy to discuss them with you. Also, I am sending a copy of this letter to the Chairman of the Subcommittee on Consumer Protection and Finance.

Sincerely yours,



Comptroller General
of the United States

Enclosure

cc: The Honorable James H. Scheuer
Chairman, Subcommittee on
Consumer Protection and
Finance