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PRESS RELEASE

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PROPOSED BOTTLED WATER TAX (HB 3445) IS BAD FOR HAWAII CONSUMERS AND BUSINESSES

“The proposed tax singles-out a healthy beverage that is produced by an industry with an outstanding tradition of environmental stewardship, protection, and sustainability.”

ALEXANDRIA, VA, January 31, 2008 – The International Bottled Water Association (IBWA) has submitted written testimony in opposition to HB 3445, which would impose a 5-cents-per-container “surcharge” on bottled water produced or distributed in-state. The testimony was provided to the Hawaii House Committee on Energy and Environmental Protection and the Hawaii House Committee on Water, Land, Ocean Resources and Hawaiian Affairs for consideration during a January 31, 2008 public hearing on the bill.

IBWA’s testimony expressed opposition to the tax, which is disguised as a “surcharge,” that will significantly increase the cost of this healthy, safe product by requiring beverage distributors to pay a tax that will then be passed along to retailers, and ultimately to consumers. The tax will add \$1.20 to every case of bottled water sold in state, resulting in a cost increase of 30 percent on a \$3.99 case. This tax is regressive and will place an unfair burden on those who can least afford it: the State’s low and fixed-income citizens, including the elderly.

Bottled water is a packaged food product, regulated comprehensively by the U.S. Food and Drug Administration (FDA), as well as the State of Hawaii. Food products in the State, including bottled water, are already taxed at least 4 percent under state’s general excise tax. Hawaii State law also allows localities to apply a “tax on tax” beyond the four percent rate. The bottled water tax proposed in HB 3445 further burdens consumers already subjected to Hawaii’s broad-based general excise tax.

This narrowly focused, punitive tax will make it more difficult for consumers to drink bottled water, and that is not in the public interest. Bottled water is growing in popularity because of its consistent quality, taste and convenience. And many people choose it over other beverages because it does not contain calories, caffeine, sugar, artificial flavors or colors, alcohol or other ingredients consumers may wish to avoid or moderate. Levying a special tax on a healthy beverage such as bottled water could cause consumers to purchase other, less healthful, alternatives. Hawaiians must be able to choose the healthful benefits of bottled water consumption without added cost and measures that penalize smart beverage choices.

The discriminatory bottled water tax unfairly targets the bottled water industry, which is already paying its fair share of business and other taxes in Hawaii. The production and distribution of bottled water plays an integral role in Hawaii’s economy, and this tax will harm the ability of local companies to compete on a level playing field in a highly competitive industry. It will harm local businesses, their employees, their suppliers and their retail customers. Furthermore, the bottled water tax will increase the price of groceries, which could cause an overall decline in retail sales. That could ultimately lead to a reduction in jobs as production demands decrease. The bottled water tax is also discriminatory in that it would require the bottled water industry to foot the entire bill for new state funds to pay for wetlands protection and programs to fight invasive species. While the bottled water industry supports these initiatives in concept, it should not be held solely responsible for funding efforts to ameliorate problems that it has not caused directly.

In its testimony, IBWA also reminded the Committees that the bottled water industry has always been at the forefront of relief efforts during natural disasters and other catastrophic events. Throughout the years, bottled water companies have immediately responded to the need for clean water after natural disasters, such as Hurricanes Andrew, Charlie, and Katrina, California wildfires, or the terrorist attacks on the Pentagon and World Trade Center. Bottled water companies have donated millions of bottles of water in response to these types of catastrophes. Clean, safe water is a critical need for citizens and first responders immediately following a natural disaster or other catastrophic event. Unfortunately, the availability of water from public water systems is often compromised in the aftermath of such an event. During these times, bottled water is the often best option to deliver clean safe drinking water quickly into affected areas.

In reference to HB 3445's preamble, the bottled water industry does not disparage municipal water supplies. In fact, approximately 25 percent of bottled water initially comes from municipal water supplies before it is further purified and then bottled. The bottled water industry therefore actively supports and is involved in maintenance of those municipal water supplies and their related infrastructures. The bottled water industry already recognizes the critical importance of environmental conservation and stewardship of all watersheds and water resources, because long-term sustainable supply of high-quality water is quite literally foundation and "lifeblood" of bottled water companies.

Bottled water industry producers, through their businesses practices and use of resources have little connection to these issues. The bottled water industry is a minimal user of groundwater resources and accounts for only 0.02% (2/100 of one percent) of all groundwater withdrawals in the United States according to a 2005 study by the Drinking Water Research Foundation (DWRF). However, the bottled water industry aggressively supports comprehensive groundwater resource management policies. IBWA member bottlers recognize the critical importance of environmental conservation and stewardship of all water resources. This is achieved through the use of monitoring wells and environmental assessments of their sources to help ensure both quantity and quality of the source, in addition to participating in local and regional water stewardship partnerships for aquifer protection.

IBWA believes that groundwater management laws and regulations must be comprehensive, science based, multi-jurisdictional, treat all users equitably, and balance current uses with future needs. From the perspective of water management programs, the bottled water industry should be treated no differently than other beverage, food processing and other manufacturing operations. Bottled water is an FDA regulated food product and should be treated the same as other products. To single out bottled water from other food products – not to mention thousands of other consumer products that use water as an ingredient or in production – will not further the sustainability of water resources and is not in the best interest of consumers.

The bottled water industry, like many others in the food and beverage industry, has taken actions to reduce its environmental footprint through the use of ever lighter weight packaging and direct support and involvement in recycling educational and advocacy programs. Bottled water is one of thousands of packaged foods and beverages—not to mention other consumer products--used by consumers every day. Bottled water containers are fully recyclable and should be properly recycled through whatever system a local municipality has in place. Any actions to reduce the environmental impact of packaging must focus on all consumer goods and not target any one industry. Locally, the bottled water industry supports the efforts of Hawaii-based recycling organizations such as Recycle Hawaii, Earth-Friendly Schools Hawaii, and Oahu Community Recycling, and welcomes opportunities to be involved with those organizations. These efforts are good for the environment, and good for business.

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The International Bottled Water Association (IBWA) is the authoritative source of information about all types of bottled waters. Founded in 1958, IBWA's membership includes U.S. and international bottlers, distributors and suppliers. IBWA is committed to working with the U.S. Food and Drug Administration (FDA), which regulates bottled water as a packaged food product, and state governments to set stringent standards for safe, high quality bottled water products. Additionally, IBWA requires member bottlers to adhere to the IBWA Bottled Water Code of Practice, which mandates additional standards and practices, which in some cases, are more stringent than federal and state regulations. A key feature of the IBWA Model Code is an annual unannounced plant inspection by an independent, third party organization. For more information about IBWA, bottled water and a list of member's brands, please contact IBWA Vice President of Communications Stephen Kay at 703-647-4609 or skay@bottledwater.org.