

CRUSHING

BOTTLE DEPOSIT FRAUD

■ Distributors pressing for new laws to cut illegal return of containers bought in other states.

BY GARY HEINLEIN
Detroit News Lansing Bureau

The bottle and can return machines at Hi-Lite Super Market in Monroe are one target of a growing scam that's hitting Michigan and its beverage distributors with million-dollar losses: collecting 10-cent refunds on returnable containers for which no deposit was paid.

Conveniently just 12 miles north of the state line, the grocery is one of many shops in southern Michigan where free money is available through the "return" of nondeposit empties from beverages bought in Indiana, Ohio or other states without bottle deposit laws.

"You can drop off \$25 worth of bottles and cans and be on your way," said store manager Randy Montri. "I think it's getting worse as the economy gets worse."

The scammers have figured out that machines used by the state's bigger retailers can't tell the difference between 10-cent-deposit bottles and cans bought in-state, and nondeposit beverage containers from other states. They're costing Michigan at least \$13 million a year, according to the Michigan State Police, who last year broke up a million-dollar scheme involving 13 people and several Metro Detroit stores.

The cost of illegal returns is borne by beer and pop distributors, eating into their bottom lines. Distributors are pressing for passage of new crackdown laws during the two-week lame duck legislative session, which begins today, before lawmakers adjourn for the year. After that, all bills die and have to begin anew.

Lawmakers' wish list for the ses-

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Madalyn Ruggiero/Special to The Detroit News

Mike Drummonds, 38, of Monroe returns empty bottles and cans to the Hi-Lite Super Market in Monroe. Distributors say they are losing thousands of dollars on illegal returns.

Bottle bills

A package of bills, ready for House action soon after lawmakers return today from the deer hunting-Thanksgiving break, would:

■ Require stores in Michigan to equip their bottle and can return machines to deny refunds for at least 85 percent of all nondeposit containers fed into them.

■ Mandate weekly store reports that include the number of nonreturnable containers captured and destroyed.

■ Direct the state Treasury Department to make up to \$2 million available to reimburse store owners who retrofit their machines in the next two years. Refunds first would go to stores in border counties.

■ Boost penalties against people who try to collect for nondeposit containers. Penalties would range from a \$500 civil fine – up from \$100 – for a first offense involving 25 to 100 containers to a felony involving two years in prison and/or a fine as high as \$5,000 – up from \$500 – for a second offense involving 100 or more containers.

■ Require similar penalties for Michigan pop and beer distributors who knowingly accept nonreturnable containers and/or deliver them to manufacturers for refunds.

Deposit fraud

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sion also includes resolving an estimated \$500 million shortfall in the state budget, approving a plan to expand Cobo Center, laying the groundwork for light rail along Woodward Avenue in Detroit, considering Blue Cross and Blue Shield of Michigan's request to change state law regarding individual health insurance rates and

assisting homeowners facing foreclosure. There also is growing interest in finalizing legislation to ban smoking in public workplaces, including bars, restaurants and Detroit's casinos.

Beverage distributors don't want their issue to get lost in an ambitious legislative agenda. They say they are losing thousands of dollars through illegal container returns.

"It really, really escalated about three years ago," said Greg O'Neil, president of O.K. Distribu-

tors in Niles, which delivers beer in five Michigan counties.

"We had one big-box retailer — I won't say who — where in three months, we noticed, our company had lost \$66,000" on bottle and can returns, O'Neil said. "I checked with a competitor and he said he'd lost over \$80,000. The Coors guy said he'd lost \$40,000."

O.K. Distributors severed ties with the retailer, but not before hiring a private investigator who filmed people collecting for non-deposit bottles and cans, then using the money on beer and cigarettes at Indiana stores.

The sting resulted in the prosecution of 33 people by Berrien County authorities, but didn't stem the fraud.

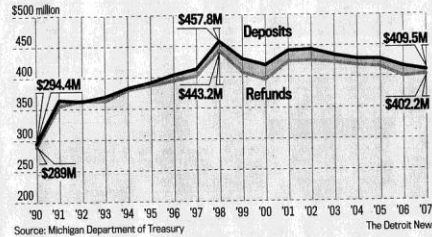
Stores that collect more in deposits than they pay out in refunds have to pay the difference to the state; 75 percent of it goes to a cleanup and development fund. Revenue to that fund has shrunk from \$18 million in 2001 to \$6.5 million last year.

The package of bills requiring special markings on deposit beverage containers sold in Michigan is controversial because it could involve millions in new costs to re-

Bottle deposits

The gap between deposits paid and refunds collected on returnable beverage containers narrowed during 2007. It could be at least partly the result of increases in the numbers of bottles and cans purchased in other states but legally returned for deposit in Michigan, especially in counties that border other states.

Deposits/refunds (in millions)



tailers across the state. Their bottle and can machines would have to be adapted — at an estimated \$5,000 each — to read the special markings and deny refunds for nondeposit containers.

Some lawmakers want to exempt stores that can't afford the expense. Larry Steckelberg, state treasury legislative liaison, said the department would try to come up with \$1 million in the next year

to help reimburse stores for retrofitting about 450 machines in border counties where deposit fraud is most common.

Tom Violante, owner of Holiday Market in Royal Oak, said he supports stiffer penalties against deposit scammers, but not required modifications that would cost \$50,000 for his 10 bottle and can return machines.

"You know who's going to be

criminalized if they do this? The small-business man who can't afford it," Violante said.

Linda Gobler, president of the Michigan Grocers Association, said many food retailers can't afford the expense. The association opposes the proposals.

Dennis Schornack, executive director of the Michigan Recreation and Park Association, said the problem should be solved with a few good State Police stings. His group prefers that lawmakers concentrate on passage of legislation expanding Michigan's 10-cent deposit law to include containers of bottled water, juice and popular new energy drinks.

The proposed legislation is "like hunting sparrows with howitzers," Schornack said.

Rep. Steve Bieda, D-Warren, main sponsor of two of the six bills, disagreed.

"It's hurting Michigan businesses; they're losing money," he said. "The state's losing money. In a sense, we're a laughingstock. It's criminal, pure and simple."

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