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Distributors urge Legislature to crack down on smugglers because rush is on to cash in

LANSING - Michigan's family-owned distributors Monday urged the Legislature to end the delays and act quickly to crack down on illegal out-of-state can and bottle smuggling because they are seeing a sharp spike in illegal redemptions, likely because of increased publicity of the problem.

"Smugglers are racing against the clock and trying to cash in now before the crackdown," said Jim Wanty, owner and president of O&W Inc. in Ypsilanti, which distributes beer and wine to communities close to the Michigan-Ohio border.

"The longer the Legislature delays, the worse this problem will get, the harder it will be for businesses to survive and the more jobs will be lost."

Wanty said he estimates O&W has seen a 30-percent increase in over-redemptions, which is when a company takes in and pays for more containers than is distributed.

Wanty said one Monroe County store a mile from the border has seen a steep increase in redeemed containers.

Wanty said, "We need to act now because the bad guys know a crackdown is coming and they're making hay while the sun still shines."

According to state officials and law enforcement, smugglers rob Michigan taxpayers of upwards of \$13 million each year by illegally redeeming cans and bottles from other states, and cashing in on Michigan's 10-cent can and bottle deposit - the nation's highest.

Money collected from those deposits go to a fund that pays for environmental cleanups in neighborhoods and to support recycling at local businesses.

The smuggling problem has received growing media attention in Michigan, bordering states and even nationally.

The problem is especially serious because it is rapidly depleting Michigan's environmental clean-up funds, as has been widely reported by Michigan media, including the Associated Press and the Kalamazoo Gazette.

Smuggling also hits local businesses hard, hurting their cash flow, stunting growth and even forcing job losses.

"Smuggling is more than a nickel-and-dime problem - it's really hurting border businesses and communities," said Greg O'Niel, president of O.K. Distributors in Niles in southwest Michigan.

O'Niel said his business lost \$113,748 in October 2008 - a loss of \$68,883 more than in October 2007 - because he paid for more cans and bottles than he collected.

"The Legislature has deliberated on this issue for more than a year and smugglers are cashing in faster than ever, at great expense to local businesses and taxpayers, because they think a crackdown is coming. We need to crack down now, we need to end the delays and we need to act immediately to protect businesses, communities our quality of life and our jobs," O'Niel said.

The Legislature is currently considering proposals that would crack down on smuggling by requiring that cans and bottles carry special markings identifying them as redeemable only in Michigan; requiring reverse vending machines be retrofitted to read these special markings; and toughening punishment against smugglers.