

Legislative History for Connecticut Act

Act Number: 240	2005
Bill Number: 6608	
Senate Pages: Senate: 5088, 5209-5217	10
House Pages: House: 8270-8277	8
Committee: General Law: 1790-1914, 1967-1997	56

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Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate
and House of Representatives Proceedings

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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
2005

VOL. 48
PART 16
4844-5207

jlm
Senate

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June 8, 2005

Calendar 632, H.B. 5165, Mr. President, I would
move to place this item on the Consent Calendar.

THE CHAIR:

Without objection, the item will be placed on the
Consent Calendar.

SEN. LOONEY:

Thank you, Mr. President. Calendar Page 8,
Calendar 635, marked Go.

Calendar 636, H.B. 6608, Mr. President, I would
move to place this item on the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. LOONEY:

Thank you, Mr. President. Calendar 638, marked
Passed Temporarily.

Calendar 639, H.B. 5290, Mr. President, I would
move to place this item on the Consent Calendar.

THE CHAIR:

Without objection, the item will be placed on the
Consent Calendar.

SEN. LOONEY:

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SEN. LOONEY:

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An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

Mr. President, those items placed on the first Consent Calendar begin on Calendar Page 3, Calendar 593, H.B. 6565.

Calendar Page 4, Calendar 613, Substitute for H.B. 6662.

Calendar Page 6, Calendar 624, Substitute for H.B. 6669.

Calendar 626, Substitute for H.B. 5215.

Calendar Page 7, Calendar 630, Substitute for H.B. 6727.

Calendar 632, Substitute for H.B. 5165.

Calendar Page 8, Calendar 636, Substitute for H.B. 6608.

Calendar 638, H.B. 6909.

Calendar 639, Substitute for H.B. 5290.

Calendar 640, Substitute for H.B. 6976.

Calendar Page 9, Calendar 643, Substitute for H.B. 6713.

And Calendar Page 15, Calendar 235, Substitute for S.B. 544.

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Calendar 411, Substitute for S.B. 1037.

Calendar 621, S.R. 29.

Mr. President, that completes those items
previously placed on the first Consent Calendar.

THE CHAIR:

Thank you, Mr. Clerk. Will you please call the
roll.

THE CLERK:

The motion is on adoption of Consent Calendar No.

1. Senator Fonfara.

SEN. FONFARA:

Yes.

THE CLERK:

Senator Coleman.

SEN. COLEMAN:

Yea.

THE CLERK:

Senator LeBeau.

SEN. LEBEAU:

Yea.

THE CLERK:

Senator Handley.

SEN. HANDLEY:

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Yes.

THE CLERK:

Harris.

SEN. HARRIS:

Yea.

THE CLERK:

Senator DeFronzo.

SEN. DEFRONZO:

Yes.

THE CLERK:

Senator Kissel.

SEN. KISSEL:

Yes.

THE CLERK:

Senator Herlihy.

SEN. HERLIHY:

Yes.

THE CLERK:

Senator Ciotto.

SEN. CIOTTO:

Yes.

THE CLERK:

Senator Harp.

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SEN. HARP:

Yes.

THE CLERK:

Senator Looney.

SEN. LOONEY:

Yes.

THE CLERK:

Senator Meyer.

SEN. MEYER:

Yes.

THE CLERK:

Senator Gaffey.

SEN. GAFFEY:

Yes.

THE CLERK:

Senator Slossberg.

SEN. SLOSSBERG:

Yes.

THE CLERK:

Senator Hartley.

SEN. HARTLEY:

Yes.

THE CLERK:

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Senator Murphy.

SEN. MURPHY:

Yes.

THE CLERK:

Senator Crisco.

SEN. CRISCO:

Yes.

THE CLERK:

Senator Cook.

SEN. COOK:

Yea.

THE CLERK:

Senator Prague.

SEN. PRAGUE:

Yes.

THE CLERK:

Senator Stillman.

SEN. STILLMAN:

Yes.

THE CLERK:

Senator Gunther.

SEN. GUNTHER:

Yes.

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THE CLERK:

Senator Finch.

SEN. FINCH:

Yes.

THE CLERK:

Senator Newton.

SEN. NEWTON:

Yes.

THE CLERK:

Senator Cappiello.

SEN. CAPPIELLO:

Yes.

THE CLERK:

Senator Duff.

SEN. DUFF:

Yes.

THE CLERK:

Senator Freedman.

SEN. FREEDMAN:

Yes.

THE CLERK:

Senator McDonald.

SEN. MCDONALD:

005215

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Yes.

THE CLERK:

Senator McKinney.

SEN. MCKINNEY:

Yes.

THE CLERK:

Senator Williams.

SEN. WILLIAMS:

Yes.

THE CLERK:

Senator Roraback.

SEN. RORABACK:

Yes.

THE CLERK:

Senator Colapietro.

SEN. COLAPIETRO:

Yes.

THE CLERK:

Senator DeLuca.

SEN. DELUCA:

Yes.

THE CLERK:

Senator Daily.

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SEN. DAILY:

Yes.

THE CLERK:

Senator Fasano.

SEN. FASANO:

Yes.

THE CLERK:

Senator Guglielmo.

SEN. GUGLIELMO:

Yes.

THE CLERK:

Senator Nickerson.

SEN. NICKERSON:

Yes.

THE CHAIR:

Mr. Clerk, please announce the tally of the
Consent Calendar.

THE CLERK:

Motion is on adoption of Consent Calendar No. 1.

Total number voting, 36; necessary for adoption,

19. Those voting "yea", 36; those voting "nay", 0.

Those absent and not voting, 0.

THE CHAIR:

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Consent Calendar is passed. Mr. Majority Leader.

SEN. LOONEY:

Yes, thank you, Mr. President. Mr. President, I would move for immediate transmittal to the House of Representatives of any items acted on the Consent Calendar requiring additional action by the House.

THE CHAIR:

Seeing no objection, so ordered.

SEN. LOONEY:

Thank you, Mr. President.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Returning to the Call of the Calendar, Calendar Page 1, Calendar 309, Substitute for S.B. 1086, An Act Concerning Flexible Zoning Districts, Site Plans and Zoning Variances, Favorable Report of the Committee on Planning and Development. Clerk is in possession of amendments.

THE CHAIR:

Senator Coleman.

SEN. COLEMAN:

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If all the Members have voted, the machine will be locked and the Clerk will take a tally. Clerk please announce the tally.

CLERK:

House Bill Number 5814, as amended by Senate Amendment Schedule "A", in concurrence with the Senate.

Total Number Voting	139
Necessary for Passage	70
Those Voting Yea	132
Those Voting Nay	7
Those absent and not voting	12

SPEAKER AMANN:

Bill passes as amended. Will the Clerk please call Calendar Number 192.

CLERK:

On Page 3, Calendar Number 192, Substitute for House Bill Number 6608, AN ACT CONCERNING THE LIQUOR CONTROL ACT, Favorable Report of the Committee on General Law.

SPEAKER AMANN:

Representative Stone.

REP. STONE: (9th)

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Good morning, Mr. Speaker.

SPEAKER AMANN:

Good morning, Sir.

REP. STONE: (9th)

I move acceptance of the Joint Committee's Favorable Report and passage of the Bill.

SPEAKER AMANN:

The question is on acceptance of the Joint Committee's Favorable Report and passage of the Bill.

Will you remark, Sir?

REP. STONE: (9th)

Yes, Mr. Speaker. Thank you. The original Bill that is the original file copy contains several provisions of our changes to our liquor statute. It was the bill that was considered by the General Law Committee. We had a public hearing that lasted well into the early evening.

The sole survivor of not only that public hearing, but also the deliberations by Committee, is presented in a strike-all amendment, which I ask that the Clerk call. It's been designated LCO Number 7114 and I ask that he call and I be allowed to summarize.

SPEAKER AMANN:

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Will the Clerk please call LCO Number 7114, which we designate, actually, yes, will be designated House Amendment Schedule "A".

CLERK:

LCO Number 7114, House "A" offered by Representative Stone.

SPEAKER AMANN:

The Representative seeks leave of the Chamber for summarization. Is there objection summarization? Is there objection? If not, you may proceed with summarization, Sir.

REP. STONE: (9th)

Thank you, Mr. Speaker. I indicated that this is the sole survivor from both the public hearing and the General Law Committee meeting and its survival will only last until June 30th, 2006, which is the sunset provision for this particular Amendment.

After that date, unless we do something otherwise, the laws that exist today would then kick in once again.

What this Amendment provides is that manufacturers and wholesalers of beer only, this doesn't apply to spirits or to win, but of beer only,

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would be allowed to post not one, but multiple prices for their product, both from the manufacturer to the wholesaler and then from the wholesaler to the retail permittee in any given month.

So, for example, a wholesaler of brand A beer would be able to post a price for brand A beer from the 1st to the 10th of the month for the retailer and then post a different price for the 11th through the end of the month, or any one of multiple postings within that month.

It doesn't just have to be two prices. What we heard at the Committee level was that this would allow for spacing out of deliveries for any one month. It will be of assistance to the wholesaler and manufacturer, as well as, to the retail customer so that they can space out the deliveries.

This is particularly important to smaller retail package stores that want to, that have limited storage and limited shelf space.

The Bill also provides for when the postings have to be made. There was a concern from some of supermarket retailers that in order to their advertising out on subsequent, on next month pricing,

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that they had to get their posting list by a certain time.

So this provides that those postings must be made on or before the 12th of the month prior to the month when the price would be effective.

The multiple postings would have to be in place at the same time, so it's on or before the 12th of the month for all postings for the subsequent month, not just for the one price that would begin in the first of the month.

Finally, Mr. Speaker, the Bill provides that the cost, that the minimum cost to the retailer would be that the lowest posted price for that month.

So the idea here is it would allow the retailer to pass on, or least permit them to pass on, some of the savings that they might realize with this multiple posting on to the consumer. I move adoption.

SPEAKER AMANN:

The question before the Chamber is adoption. Is there objection? Will you remark? Will you remark? Representative Leonard Greene from the 105th.

REP. GREENE: (105th)

Thank you, Mr. Speaker. Good morning.

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SPEAKER AMANN:

Good morning, Sir.

REP. GREENE: (105th)

Mr. Speaker, I rise in support of this Amendment. As Representative Stone has indicated, this is something that we dealt with in the General Law Committee.

And the main reason for doing this is we're trying to spread out the deliveries over the course of the month because what seems to happen is that most of the deliveries are occurring towards the end of the month.

So in the beginning of the month, the beer deliveries, the drivers aren't very, very busy and then they start racking a lot of hours towards the end.

So this is a way of us for doing it for one year to try to see how that works and see if we can spread out the deliveries. So I urge the Chamber to support this. Thank you, Mr. Speaker.

SPEAKER AMANN:

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Thank you, Sir. Will you remark further? Will you remark further on the Amendment before us? Will you remark further?

Will you remark further? If not, we will try your minds. All in favor, please signify by saying Aye.

REPRESENTATIVES:

Aye.

SPEAKER AMANN:

All opposed, Nay. Ayes have it. Amendment is adopted. Will you remark? The Bill is amended. Will you remark on the bill as amended?

If not, staff and guests please come to the Well of the House. Members please take your seats and the machine will be opened.

CLERK:

The House of Representatives is voting by Roll Call. Members to the Chamber. The House is voting by Roll Call. Members to the Chamber please.

SPEAKER AMANN:

Have all the Members voted? Have all the Members voted? Have all the Members voted? If all the

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Members have voted, please check the board to make sure your vote has been properly cast.

If all the Members have voted, the machine will be locked and the Clerk will take a tally. Clerk, please announce tally.

CLERK:

House Bill Number 6608, as amended by House

Amendment Schedule "A".

Total Number Voting	143
Necessary for Passage	72
Those Voting Yea	139
Those Voting Nay	4
Those absent and not voting	8

SPEAKER AMANN:

Bill passes as amended. Announcements and introductions? Announcements or introductions? Representative Staples.

REP. STAPLES: (96th)

Thank you, Mr. Speaker. Mr. Speaker, for the purposes of an announcement.

SPEAKER AMANN:

Please proceed, Sir.

REP. STAPLES: (96th)

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STANDING
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we're also going to be working off of and taking testimony on the revised working draft that has been made available.

I guess fortune has it that that draft was available this morning and I apologize for that, but you've had about six hours to look at it, and I also apologize for that.

But feel free to comment either on the original Proposed Bill, or on the draft that was made available, on either one, and any issue within either one of those bills.

This is a learning process for many of the Members of the Committee, including myself, and we'd love to hear your testimony on each of the different aspects of that Proposed Bill.

With that, David Heller from A.S. Goodman. And, again, testimony limited to three minutes, there will be questions I'm sure of some of the Committee Members.

If you've submitted written testimony, you're more than welcome to read that testimony, however we can also read that on our own.

So we encourage you if you'd like to go off written testimony, you're welcome to do that as well.

David, welcome, and thank you for your patience, my friend.

DAVID HELLER: My pleasure. Senator Colapietro, Representative Stone, and Members of the

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General Law Committee, my name is Dave Heller, and I'm the President Allan Goodman and Rogo Distributors.

We sell wine, liquor, beer and soft drinks, we've been in business since 1933. We sell and service about half the State of Connecticut out of our two East Hartford locations.

We have about 200 employees and call on over 3,000 retail customers in the Eastern five counties of Connecticut.

I'm opposed to House Bill 6608 regarding quantity discounts and I'm here to tell you why.

On the surface, quantity discounts sound like a good idea, they'd be good for the consumer. But in regard to beverage alcohol, it's not that simple and here's some background.

Under Connecticut laws, all retail customers can buy wine, liquor and beer at a posted price that is the same for every customer, regardless of their size.

This is a great system where everybody has the same pricing, it's fair to all involved. That means that each customer only has to buy one case at a time to get what would be the current price, and is often a current discounted price.

Quantity discounts, as proposed, would exclude those businesses that don't have the financial means or the storage space to buy extra inventory.

Quantity discounts would put all but a few of our package at a competitive disadvantage, and it would disadvantage almost all of the restaurants.

A few large suppliers would like to gain their own competitive advantage by lobbying for quantity discounts, but this would be at the expense of all of the other brands in the marketplace.

Quite frankly, this is why a few large manufacturers or suppliers are currently going after this quantity discount issue.

We think this would be a harmful change that will be detrimental to many of our retail customers, and in the end will hurt consumers.

If an individual supplier or wholesaler wants to lower prices, they have that ability. They can lower the price on every case sold to all customers.

If I were forced to compete in a market that has quantity discounts, I basically have two options to fund those discounts.

Number one, I'd find a way to cut my distribution costs, and that basically means I need to cut bodies, I need to reduce my headcount to reduce my costs.

I'll have one of my employees who is a Teamster member, who is going to testify that this would put good jobs at risk.

The other option I have to pay for quantity discounts is to raise the case one price, which means that most of the retailers who buy most of the products in small quantities, will be paying more to fund the discounts that will support the largest brands.

These higher costs will be passed on to the consumers, and my question to you is, is this really what Connecticut wants? To end up with higher retail prices for most of the products out there and perhaps lower prices on a very small number of products available for sale.

In neighboring states such as Massachusetts and New York, case one pricing is almost always higher than it is in Connecticut, and it's only when they implement a quantity discount that they're able to get to a price that can be competitive.

Quantity discounting would change the balance of power to a few large suppliers and big box retailers that will ultimately hurt local business owners, reduce local jobs, and increase most prices to our consumers.

I ask you to please oppose House Bill 6608.
Thank you.

REP. STONE: Thank you, David. Thank you for your testimony. David, do you know if they have a quantity discount system in New York?

DAVID HELLER: They do in New York, they have it in New York, Massachusetts and Rhode Island.

REP. STONE: Do you know what affect, if any it had on the number of retail outlets for alcohol?

DAVID HELLER: I tried to do some research, I could not get you a good answer on that.

REP. STONE: Okay, and how about, that was neither New York nor Massachusetts?

DAVID HELLER: In New York, quantity discounts have been in place for quite some time, same for Massachusetts.

I can tell you that the number of package stores in Connecticut per capita, is about one store for every 2,400 people.

In Massachusetts it's about one store for I think, every 3,900 people.

REP. STONE: Okay, and I ask that because part of your testimony was the affect that quantity discounts might have on, I believe the number of retail outlets for alcohol.

I know that other states have quantity discounts and I'm just wondering what the affect might have been on those states.

I don't know the answer quite frankly. Now there's other parts of the bill that, first of all, have you had an opportunity to review the working draft that contains other parts of other issues regarding alcohol?

DAVID HELLER: I gave a cursory review, and there are many, many proposed changes that really

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turn the existing laws upside down, and I think it warrants lots of discussion.

I think some of the changes proposed would be tremendously detrimental to our industry as a whole, and would truly change the balance of power to give the largest out of state suppliers control of our marketplace, and control of our pricing.

REP. STONE: There is a provision in this bill for channel pricing. Are you familiar with that concept?

DAVID HELLER: I'm familiar with the concept.

REP. STONE: Are you in favor of or opposed to channel pricing?

DAVID HELLER: I'm opposed to channel pricing. I think it would put our restaurant customers at a disadvantage.

REP. STONE: And, there's a provision in this bill for multiple postings.

DAVID HELLER: I'm opposed to multiple postings as well. I think it creates a complex environment for pricing.

REP. STONE: Complex to whom?

DAVID HELLER: Complex for the wholesaler and the retailer, where you're basically, instead of posting one price for a one month period, you could be posting perhaps 48 different prices throughout the year.

It creates a very disruptive marketplace. The prices would always be changing, and you don't know what, if the price isn't posted, you don't know what the price is.

It's a moving target, and in the end I think it will confuse the customers and it will lead to increases in prices, which I think goes against everything that everybody in this room wants.

REP. STONE: How would multiple postings lead to increases in prices?

DAVID HELLER: I think it would create enough confusion out there that, actually I don't have a good answer for that. Under further review I will get back to you.

REP. STONE: Okay, and another part of this bill would provide for a cost of acquisition price for alcohol.

You'd have a posted bottle price and then you'd have a posted case price, and oftentimes the posted bottle price per unit might be a little higher than the per unit cost of an individual bottle within a case.

What this bill proposes is that the retailer would be able to charge something less than the posted single bottle price, and that would be their cost of acquisition. What do you think about that?

DAVID HELLER: On the surface I'm opposed to it, but I didn't read that part closely enough to give you a good answer.

REP. STONE: All right, and by the way Dave, you're welcome to get, on any of this stuff if you have other comments, as you have an opportunity to look at this in more detail, please provide them to me or to the clerk of the Committee.

We're interested in everyone's opinion, and I apologize for you getting this this morning.

DAVID HELLER: We'll sift through this and certainly come back with comments.

REP. STONE: Great. Okay, and then the other thing was the, there is a provision in here for, on your postings, when you post a price you have the opportunity within a certain period of time thereafter, I think it's three days, to revise your posted price to meet a competitor's price.

Are you familiar with that?

DAVID HELLER: Yes I am.

REP. STONE: All right. And this bill proposes that you not be able to do that.

That once you post your price, that's the price you stay with and not have what I consider to be a look back, or a look into what others might charge. What do you think about that?

DAVID HELLER: I think it's a bad idea. What happens, we'll negotiate with one of our

suppliers, they'll suggest some pricing, we'll come up with pricing structures and there will be a pricing pattern.

If we were to make a mistake, if we were misinformed and we put a price in the book and a competitor had a higher or lower price because the supplier didn't communicate what they had asked us to do correctly, or we just made a mistake, we couldn't correct and perhaps we'd be selling at a higher price and would be disadvantaged.

And our customers wouldn't be able to take advantage of the lower price that they would have been able to.

REP. STONE: Okay, so your concern with that is if you had made a clerical error or mistake, rather than its effect on the competitive market?

DAVID HELLER: That's one concern, yes.

REP. STONE: Are you allowed, within that time period, that you can change your price, are you allowed to increase your posted price or just decrease your posted price?

DAVID HELLER: No, only decrease.

REP. STONE: That's what I thought, okay. And then finally, there's a provision in this proposal where a wholesaler, which you're a wholesaler, right?

DAVID HELLER: Correct.

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REP. STONE: Can add a delivery charge of five percent on the case price orders of beer, of less than five cases. Did you take a look at that?

DAVID HELLER: I didn't look closely, but on the surface I'm opposed.

REP. STONE: And do you have a, well, you can get back to me as to why.

That was geared towards spreading out the deliveries within a month rather than having limited deliveries during one part of the month and then loading up at the end of the month with deliveries. That's why that was in there.

DAVID HELLER: It would be nice to smooth out our business, but we can operate. We have the employees and we can operate in this environment.

REP. STONE: And that was proposed, as I recall, by the Package Store Association, in an effort to spread out the deliveries to--

DAVID HELLER: You know what, there might be some better mechanisms to smooth the deliveries out that wouldn't be quite as disruptive. We'll come back with some suggestions.

REP. STONE: Okay, that'd be great, and I thank you for your patience, David. You're the first one to testify on these bills so you're kind of the guinea pig for my questions.

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I appreciate your patience, and your candor in responding.

DAVID HELLER: It's my pleasure.

REP. STONE: Does anyone else have any questions? Thank you very much, David. It's good to see you. Next is Fred Ciaburro.

FRED CIABURRO: Good afternoon, gentlemen. My name is Fred Ciaburro, Jr. I work for Brescome Barton Liquor Distributors in North Haven, Connecticut.

I've been an employee there for 30 years. I'm opposed to this House Bill 6608. If this bill goes through the House, it definitely will hurt small business, liquor stores in the state.

Our big package stores will get all the business. They can't compete with the larger stores, simply because they don't have the money and the room to store the product.

In turn, that affects workers at Brescome and Barton. We have 84 teamster workers there who work day crew, night warehouse and drivers.

If this bill is passed, we have a split room that puts out between 15,000 and 30,000 bottles a night.

If this bill goes through, we won't need that split room anymore. It'll cut that drastically down. We would probably put out maybe 5,000, 6,000.

We have 12 or 13 men working in that split room. It'll drop it down to four or five men. Right there we lose seven or eight jobs.

Drivers will be cut because there won't be as many liquor stores out there. Warehouse will be cut because there's not that many places to bring product.

Something has to be done here. We can't afford to keep on losing jobs in Connecticut.

REP. STONE: Thank you, Fred. Does anyone have any questions of, is it Ciaburro?

FRED CIABURRO: Yes.

REP. STONE: Thank you. Any questions? Thank you very much, Fred for your testimony, appreciate it, and thank you for your patience in waiting around today.

FRED CIABURRO: Thank you.

REP. STONE: Robert Taiman?

ROBERT TAIMAN: Good evening. I was going to say HB 6608 good afternoon. My name is Robert Taiman.

I'm employed by the wholesaler Brescome Barton and have been selling wine and spirits in the Greater Danbury and Richfield area for the past 15 years.

I service a wide variety of businesses, small mom and pop package stores, boutique wine

shops, and medium and larger discount operations.

I also service a large variety of restaurants in the area, small neighborhood grills and lounges, larger chain accounts, and hotels and catering facilities.

Many are owned by working families who have invested their life savings into these businesses.

They employ single moms, retirees, parents working a second job to make ends meet, and students paying tuition.

These businesses, and the many spin off businesses that service them for a variety of needs, are a vibrant part of the local economy.

I am strongly against exclusionary discounting by wholesalers that service these accounts.

Not just because it's what's best for me and the long term health of my industry, but because it's what's best for the survival of these businesses and what's right for the consumer making the final purchase.

Currently these businesses enjoy a deep discount on a single case of product. Wholesalers would be forced to raise their single case price to offset the difference on a multiple case sale.

This would give very large retailers an advantage and put hundreds of smaller retailers

out of business, who do not have the space or capital to purchase in large quantities.

This would also raise prices to restaurants that mostly buy in small quantities, and cannot handle any more financial strain. But the repercussions go much deeper than that.

Even large retailers making these purchases would be forced to eliminate brands within categories because they would be investing more space and money into a handful of the more popular brands, to hit competitive price points.

It is this elimination of brands within categories that would result in fewer choices for the consumer in the end.

Less choices means less competition among brands over the long haul. It is the fierce competition within categories that keeps consumer prices down while still giving them multiple choices.

Let me give you a few examples out of hundreds of these categories, and how competition within each of these categories keeps prices low, not only for the businesses, but also for the consumer.

Examples include Australian chardonnay, California merlot, imported gins, domestic vodka. All these categories have representation from dozens of wholesalers in the state who must react to the marketplace and discount their products heavily on a single

case in order to stay competitive in the market in that individual category.

The result is that business benefiting from a low one case purchase and also the consumer enjoying a low price at the point of purchase, while still enjoying a tremendous variety of products.

Multiple case discounts would squeeze out many brands, resulting in a few brands controlling each category, and in the end, the price to the consumer.

This would also force consumers to purchase brands that may no longer be available in the surrounding states.

I'm sure you can see how a single change in the law would have a large scale negative affect on all levels of this business, and the workers and families that depend on it. Thank you for your support.

REP. STONE: Thank you very much. The last part of your testimony, by the way, did you submit written testimony as well, Bob?

ROBERT TAIMAN: I will.

REP. STONE: Okay. The last part of your testimony, I thought you indicated when you were talking about spirits, that you sell spirits by the case at a discounted price, is that right?

ROBERT TAIMAN: Correct, on the one case purchase.

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REP. STONE: Right, and somehow that savings is passed on to the consumer?

ROBERT TAIMAN: Correct.

REP. STONE: If the retailer cannot charge less than the per bottle posted price, how is that savings passed on to the consumer?

ROBERT TAIMAN: The products competing in a single category, the prices are forced down to compete against each other.

So if you take a category like domestic vodka, there are lots of brands. There is Popov and Majorsk and all these different brands that compete, there are several of them.

So they're all competing against each other to have a lower price that we offer to the retailer, which then would pass that price along to the consumer.

REP. STONE: If we were to allow the retailer to charge their actual acquisition price, instead of the per bottle price, wouldn't that create even more savings or more competitiveness within the market, and have more savings to the consumer?

ROBERT TAIMAN: Well, in the very short term, perhaps, but over the long term, with the elimination of brands, then those few brands would control that category and then could raise their prices.

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And that would also put many stores out of business in the process.

REP. STONE: I'm not suggesting we eliminate the brands. Their margins may be the same, there still may be a \$2 markup, but it's a \$2 markup on a lower base so the profit margins are still there.

With the liquor, there wouldn't be the quantity discounts, it would be case price and--

ROBERT TAIMAN: Right.

REP. STONE: Okay. There's other parts of this bill that is front of us, and I'd just ask you to comment.

I asked Dave Heller from A.S. Goodman to respond, and if you happen to have a response for me I'd appreciate it.

One is on channel pricing, you're familiar with that concept?

ROBERT TAIMAN: Actually I'm opposed to the entire, all the proposals in the bill, including channel pricing.

I am a sales rep in the field, I am not a principle in the company making decisions on pricing.

Channel pricing would give, would not be fair to the restaurants, offering them a different price, if that's what channel pricing is.

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REP. STONE: And that would be just on beer.

ROBERT TAIMAN: We're not a beer wholesaler, so I'm not prepared--

REP. STONE: Okay, so you're not in a position to comment on the beer part of it.

Are you familiar with the Eder Brothers decision that the DCP level, that's now on appeal in the Superior Court, are you familiar with that case?

ROBERT TAIMAN: No, I'm not.

REP. STONE: All right. That's a case in which the Department of Consumer Protection determined that bundling or creating this jumbo case of wine was permitted under our current statute.

And I believe there is at least one wholesaler, and others have done it and I think have stopped doing it.

But at least one wholesaler that's continuing to do that, creating these jumbo cases, not just in one size, a pallet for example, but in several different sizes and offering what in effect is, a per unit discounted price based upon the size of the case that you're buying.

Which in effect, is another way of calling it a quantity discount.

ROBERT TAIMAN: Sure.

REP. STONE: And that case is presently pending in the Superior Court, but at least at the administrative level, the Department has determined that that is perfectly legal within our present statutory structure.

If it turns out that the Department is correct, and understanding that the bill that is before us creates a relatively modest threshold, low threshold, for the definition of a case, at wine of 75 liters and beer of 125 liters.

But if we don't do anything, if we don't provide some definition, some maximum definition of a case, and either decision is affirmed by the Court, what would happen to the industry then, where you would potentially unlimited jumbo cases, whether it be for wine or beer, going forward?

ROBERT TAIMAN: Sure, that would be the same as I stated, it's equivalent of quantity discounting.

It's essentially a loophole to allow quantity discounts, and that would reduce competition within categories.

It's the competition within categories that keeps prices down for the consumer and gives them tremendous choices.

REP. STONE: I asked the question, I'm sorry Bob for interrupting, but I asked the question because of some people's concern that if we do nothing in this area, that it may be worse than doing

something that's akin to what's proposed in this bill.

I don't know the answer to that yet, but that's why we're having the public hearing. I'd just as you to give that some thought as well.

If you have other comments about the working draft, please feel free to submit it to the Committee through the clerk. Yes, Representative Johnston?

REP. JOHNSTON: Thank you, Mr. Chairman.

Over the time that we've discussed the concept of quantity discounting in the last year, and the jumbo pack discussion, it's always been talked about that the end result will be less consumer choice.

That eventually retailers will carry less brands, more volume of those brands, but less brands.

Does the industry have any statistic on states that have quantity discount, that that's indeed what has happened?

And that in stores in New York and in Massachusetts that have quantity discounting that you see much less brands, and if you do, I'd be interested in looking at that.

I just keep hearing it anecdotally, but I don't know if you've got anything to back that up, and if you did, it would be interesting to take a look at that.

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ROBERT TAIMAN: Sure, I'm sure I don't have that information, as I'm a sales rep on the road.

But logic only states that if an account has, let's say, a white zinfandel section, and they have to buy a large quantity to hit a certain price point, a low price point for the consumer, then they're no longer going to carry several other white zinfandels at a competitive price.

Where right now they can purchase probably hundreds of different white zinfandels at a low one case price, and they can offer all those to the consumer.

And each one of those brands are competing individually against all the other ones, where if they were just to make one large purchase of, let's say, 50 cases or whatever, as opposed to 50 individual case purchases, there would be less choices for the consumer.

REP. JOHNSTON: Thank you.

SEN. COLAPIETRO: Any further questions? Thank you for your testimony, Sir. Tim Clarke, followed by Neil Briskan. This guy's name is Tim Clarke, right? Tim Clarke, right?

TIM CLARKE: Yes, Sir. Hi, Senator Colapietro and distinguished Members of the Commission. My name is Tim Clarke.

HB6608

I'm the President of Johnson Brothers Wine Merchants of Connecticut, who is a local distributor, who services the state.

And I'm here today to tell you that we are in favor of the portion of the proposed bill in front of us that allows us to continue to offer our customers a lower price on a larger quantity of wine.

We feel that House Bill 6608, in the regard of volume discounting on wine is all about the consumer and our customers.

We are, as a company, all about wanting the ability to offer legitimately, legally and openly, lower pricing to our customers, and we feel that it is our right as a business to be able to price compete.

And I want to share a few boards, you guys have sat through a lot of presentations today, and if nothing else, it will liven it up a little bit for you.

But also these illustrations indicate that we're still feeling pressure from border states around us that are advertising in our papers, their lower prices.

And some of the prices are as much as \$12 to \$20 a case than some of our customers can acquire product for.

In addition to that, our customers don't have the ability to get the same acquisition price

that retailers and restaurateurs do in markets around us.

Our customers are disadvantaged in terms of their buying ability here compared to other states.

For instance, in Massachusetts by as much as \$20 a case on some of the leading selling prices of wines, and we've cited a few examples here, and there's several more.

Make no mistake about it, the information's accurate, I'm putting it on record. We're comparing our pricing to pricing in our state versus other states, and we are not competitive and we're not even close.

And we have a broken system here and we're losing business to out of state neighbors, plain and simple.

So one of the things that we looked at in addition to being at a price disadvantage is, maybe it's the tax.

Maybe our tax isn't competitive. That's not the case. We've looked at our tax and our tax in Connecticut, compared to Massachusetts is almost identical.

The Governor has approached several Committees looking for revenue for the state. The answer isn't raising the tax on wine or spirits or beer, it's to keep the customers shopping here.

So about two years ago we were given the opportunity to ship, along with a lot of our competitors, a larger format of wine and have successfully done so.

And we've offered our customers the ability to buy a larger format of wine and get a better price, and at the same time we have lowered the selling price that we file each month so that our customer, at their choice, can pass the price on to the consumer.

The results have been actually staggering. The main reason for these boards is I wanted to show all of you exactly what's happened.

Here we are, as a distributor we've offered only three percent of our SKUs, not necessarily our largest selling brands, and we've surveyed the customers that have purchased the jumbo cases from us.

The results have been that the consumer in Connecticut has benefited by almost a quarter of a million dollars.

The boards that you see before you are almost a third of our customers who have purchased jumbo cases from us in two different sized formats. A lot of them have repeated.

A lot of them are restaurants, a lot of them are smaller stores, but the message I'm here to give all of you today, everybody can't leave their business and come up here, and all of these customers couldn't even fit in this room,

but we're approaching a third of our customers who have now bought jumbo cases.

So people do like a value and the only thing that I can say is we hope that we're continued the opportunity to offer a competitive price environment to our customers.

And that's what we're seeking and I think that today's bill, in regard to a 75 liter cap in wine makes it a little bit easier I guess, for everybody to participate, and it kind of removes the doubt and the fear from some of the stores and the restaurants about how big it will get.

I think the cap is good. We agreed to the cap last year, that was 135 liters on Senator Colapietro's bill last year. I think I've exceeded my time.

REP. STONE: Do you have anything you want to add? I know you've got two of you up there, but is that all?

TIM CLARKE: No [inaudible]

REP. STONE: Thank you for the graphic stuff, and you have this in a smaller form I hope?

TIM CLARKE: Yes, it's in your folders.

REP. STONE: Does anyone have any questions?

UNIDENTIFIED SPEAKER: [inaudible]

REP. STONE: You can get copies of that.

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TIM CLARKE: Actually I hesitate leaving them for reasons you mentioned earlier.

REP. STONE: I don't want you to leave these large things, but if you can have them reduced into an eight and a half by 11 for each of the Committee Members, they may be interested in seeing those.

I think we have copies as Chairs. We'll make copies for you and get copies to you.

TIM CLARKE: I didn't bring copies of lists of our customers for confidentiality. I didn't put how much they bought or when they bought it.

I hate to share that information quite frankly, but I brought it along. By the way, if you want to come to our distributor, I'd be happy, under a little bit more of a closed environment, show you all the invoices.

REP. STONE: Okay. Does anyone have any questions of, yes Lou?

REP. ESPOSITO: Thank you. [inaudible - microphone not on] 1.75 liters, how many bottles [inaudible - microphone not on]

TIM CLARKE: Six to a case, Sir.

REP. ESPOSITO: I'm just curious because I've got two conflicting numbers here. In one of them we have [inaudible - microphone not on]

TIM CLARKE: There's a savings of \$4 a bottle to the consumer, it's six per case, so it's \$24. I

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think is says \$24.06, but it's \$24.00
advantage. Six times four.

REP. ESPOSITO: [inaudible - microphone not on]
Manufacturer's advertised price of \$2.21 as
opposed to Connecticut charging \$1.91. Even at
the \$1.91, compared to \$1.97 [inaudible -
microphone not on]

TIM CLARKE: I appreciate that. I'll tell you what.
I will get you a copy of the ad and sent it
directly to your office.

REP. ESPOSITO: [inaudible - microphone not on]

TIM CLARKE: My price is accurate. It's a published
ad. Either you could access it via the
Internet or out of the Hartford Current, but
I'll be happy to get you a copy.

I can't speak to Mr. Lewinski's exhibit, but--

REP. ESPOSITO: I'm using your published ad.
[inaudible - microphone not on] \$197.88 and
your Connecticut price is \$191 so I'm just
curious, where is the savings [inaudible -
microphone not on]

TIM CLARKE: Not to be difficult or argumentative,
but the price--

REP. ESPOSITO: [inaudible - microphone not on]

TIM CLARKE: No, I wouldn't do it, but the price on
Bacardi at \$17.99, the advertised price from a
Massachusetts retailer, is two dollars a bottle
below our ad price, our minimum bottle.

So there's six to a case, the savings is \$12 to a case for a consumer. I'm not sure about multiplying them out but these are the ad prices.

They're \$17.99 on Bacardi and Dewars was \$32.98, that's the price in the paper.

REP. ESPOSITO: Yes, that's the price I'm working off of, Sir. And again, I'm not going to argue with you.

I'm saying that if I take your numbers, times six, on one of them comes out to be \$197.88 and the Connecticut retailer today is paying \$191.46, I don't know what, I don't have the Connecticut selling prices in front of me.

STEVE LANCOR: It's \$36.99 for Dewars 175s.

REP. ESPOSITO: And that's according to your price?

TIM CLARKE: According to the beverage journal, the Connecticut State Beverage Journal, that's the posted price.

The illustration, the purpose of the exhibit is to show that the consumer who reads the Hartford Current, will see an ad from a Massachusetts retailer and will be able to save \$24 on a case of Dewars scotch.

That's all I was trying to indicate, and it's because of the acquisition costs for the retailer, because the wholesale prices here are higher. That's why they can sell for less--

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REP. ESPOSITO: Here again, not to be argumentative with you, but the wholesale prices that I'm being quoted are less than what you're telling me they are.

In your other, I believe this is cut out from, must be an ad from someone?

TIM CLARKE: Those are exhibits.

Those are pricing exhibits from the Connecticut Beverage Journal to illustrate that in addition to us shipping jumbo cases, there's other products that are shipped in the state currently in exaggerated forms.

For instance--

REP. ESPOSITO: Okay, but just to break it down, this is a control number I guess, 182782, that's a product number?

TIM CLARKE: Yeah.

REP. ESPOSITO: And the 750 is the size of it?

TIM CLARKE: Right.

REP. ESPOSITO: It's 399? I presume, it doesn't break it down, but I'm trying to--

TIM CLARKE: The purpose of that illustration is to show that there is other brands being distributed by most of the distributors that are the same product sold at two different prices, same size.

That was the purpose of that illustration, not so much whether it's a lower price than a border state, but the fact is that there's bonus packs being offered by not all of the distributors, but many of them today.

REP. ESPOSITO: But if you're going by the Connecticut Beverage Journal, is that what everyone is supposed to be selling for or what they're taking as an average selling price?

If the retailer is buying it for less, but not marking it down, he's increasing his profit, is what you're telling me.

So it's not even a matter of case pricing, but it's a matter of how much profit he wants to make.

TIM CLARKE: True. The only thing in the Connecticut Beverage Journal, relative to what a retailer sells for, is the minimum he can sell it for, but a lot of customers don't sell at minimum prices.

SEN. COLAPIETRO: Any further questions? I'm sorry, Lou, were you done?

For further questions, I just have one. We always hear these things every year after year, after year, and talk about the consumer.

Is there any, have you got any ideas how we can guarantee the consumer's going to get this break?

TIM CLARKE: Well I can do my part as a distributor and give my customers a competitive price compared to what the border stores are paying for their products.

Right now we're not in that scenario. I can do that.

SEN. COLAPIETRO: You can reduce your prices now if you want to without state law?

TIM CLARKE: We've been given the right to be able to reduce our price via these jumbo cases, which has been a big help.

A wholesaler doesn't assume the entire burden of lowering price. The supplier participates and also the increased number of cases on the truck, reduce your delivery price.

It's a simple theory. You put eight cases on the truck versus one, you lower your cost of deliveries, you pass along the savings to your customer.

SEN. COLAPIETRO: Well I know, you're going to hear some people testify here probably the opposite of that.

TIM CLARKE: Well listen, they're all behind me, the whole group.

SEN. COLAPIETRO: I, as a Committee Member, have yet to see a guaranteed break that we give to certain businesses go to the consumer.

And I'm concerned about the consumer because, first of all, rarely are you going to see somebody drive to Massachusetts at two dollars a gallon of gas to save a couple of bucks on a case of scotch.

I just don't believe that's going to happen. They come in here all the time, talk about the borders, I just don't buy that, because I'm an average drinker.

I'm not going to Massachusetts at \$1.95 a gallon of gas. I could drink the gas cheaper than I could buy the booze.

I'm just saying that I don't see this going down as a break for the consumer, at least not some kind of a, I get a lot of, yeah I'm going to give everybody a break, but I don't see how we can guarantee that the consumer's going to get this break.

TIM CLARKE: I guess there's no guarantee on anything but the thing that we can guarantee, is that we've lowered our wholesale prices to our customers [Gap in Testimony. Changing from Tape 4B to Tape 5A]

SEN. COLAPIETRO: --rather than a plumber?

TIM CLARKE: [inaudible] buying from us today. We've lowered the selling price on the product because we've reduced the minimum bottle selling price in conjunction with the program.

And we surveyed stores and saved the consumer almost a quarter of a million dollars, that we

can guarantee, because I've quantified it because we've gone out and surveyed the stores.

So I know that much, and the other think I know, is I've only offered three percent of my products, and I've got a lot of brands that sell much better than the brands that we've offered.

And quite frankly, we've got a lot of tricks up our sleeve to give customers what they want. They appreciate this. I didn't make these up, I have invoices to support this long list of customers that are buying from us.

And by the way, in terms of restaurants, it's amazing how many of our customers in restaurants are buying 48 bottle cases. They like them. We've sold 130 restaurants.

REP. STONE: Thank you, Mr. Chairman. Tim, there's other parts of the amended bill, what I've tried to do, or what we've tried to do is, anyone that had an idea we put it in the bill.

And part of the public vetting process is to get comments from people to see where they are on certain aspects of the bill.

There's a provision in here for channel pricing, are you familiar with that concept?

TIM CLARKE: Yes, Sir.

REP. STONE: By the way, you may have testified to it, so I apologize if--

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TIM CLARKE: No, I appreciate you asking.

REP. STONE: What's your position on channel pricing?

TIM CLARKE: Our position is that, I think channel pricing is unfair, and that if you're going to offer something, then we make it available to everybody consistently.

And that's why I like the cap of 75 liters on wine, because the biggest quantity that the store or restaurateur could buy is eight cases, a nine liter case, eight cases.

So it does protect everyone's worries because we have relationships with customers, we want to see people do well and the eight case cap is a pretty effective target to hit, and I think it reaches most customers.

REP. STONE: There is also a provision in there for multiple postings during a particular month. Do you have any position on that?

TIM CLARKE: In order to, in other words, post a different price every week?

REP. STONE: Or at whatever interval you choose.

TIM CLARKE: I think that would be confusing. That issue is confusing.

REP. STONE: Who would that be confusing to?

TIM CLARKE: It would be a lot to administer, and I think our customers, if they had a different

price on the same product, during the same posting period during the month, I think if somebody was on vacation and they didn't get the order in and the price goes up.

It wouldn't be a detriment to me as a distributor as much as I think it would be to our customers.

REP. STONE: There's a provision here right now when you post a price you have an opportunity to look back at or review that price within a certain period of time to reduce that price to meet or go below a competitor's price. This bill says you post your price, that's the price and there's no look back. What are your thoughts on that?

TIM CLARKE: We favor competition in pricing. To be able to peek and amend eliminates competition.

REP. STONE: And so it would seem to you then that not being able to look back, just post the price, you're going to give it your best, I don't want to put words in your mouth.

You give it your best shot at the lowest price and--

TIM CLARKE: It's business. It promotes competition, yeah.

REP. STONE: And the acquisition costs, you heard the discussion earlier on spirits. Right now the minimum price you have to charge is the per bottle posting price.

This bill provides that you can charge either that if you buy per bottle, or at your per unit price when you buy in a case, your actual acquisition costs. What are your thoughts on that?

TIM CLARKE: My instincts when I saw that were that it puts the total burden on the retailer, and I don't think that's right.

There's no participation from the wholesale channel or the supplier level, and you're asking the retailers to sell off of their normal acquisition price, and burden the whole part of lowering their price.

REP. STONE: Well if they were to sell at the, if they couldn't sell below the per bottle cost, but purchase at a lower per bottle cost on a case by case basis, why wouldn't you want that savings passed on, at least in part, to the consumer?

TIM CLARKE: I think that there's an opportunity to get participation from the distributors and the suppliers in conjunction with what's been proposed, to help share some of the burden so that you can protect the retailer markups.

By the way, their businesses, they're like our business, we have margins that we need, and you want to give people an opportunity, a fresh approach to be able to compete and still make a reasonable margin for them to make a living.

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REP. STONE: How would you suggest that the wholesaler and supplier share in whatever burden it might--

TIM CLARKE: Maybe in some sort of limited cap like we have on wine and on beer that's in the bill.

REP. STONE: On a quantity discount for spirits?

TIM CLARKE: Maybe.

REP. STONE: Okay. And then finally, you're familiar with the Eder Brothers case that is presently pending in Superior Court?

TIM CLARKE: Yes, the case is pending against our company.

REP. STONE: Okay, well I guess you're very familiar with it. It's late. It's late, you know. Well I know you're a party to a litigation, I won't put you on the spot.

I have a feeling as to where you might be on that particular issue, so I won't pursue that. Anyone else have any, yes, Representative Greene?

TIM CLARKE: Sir, how are you doing?

REP. GREENE: How are you doing, Tim?

TIM CLARKE: Good.

REP. GREENE: I've been to your place, it's very nice.

TIM CLARKE: Thank you.

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REP. GREENE: I appreciate the tour.

TIM CLARKE: Thanks for giving us your time.

REP. GREENE: Just one quick question. I know you talked about the cap being 75 liters, I think it was eight cases was what you said.

Is there anything stopping multiple purchases of that eight cases in a particular month?

TIM CLARKE: No, [inaudible] if we have a 30-day posting. That's a good question. Somebody could buy it repeatedly and accumulate the cases.

REP. GREENE: The impression is is that that's all you're ever going to get, and I think one of the concerns that some of the establishments have is that, like your customers might have, or some of the other customers out there.

They don't want to be subjected to putting all their money in one product, inventory wise and just carrying a smaller amount of, well, selection of different types of vodkas or wine.

So I just wondered, this cap at 75 is one thing, but they could double that or they could triple that if somebody wanted to, if someone was big enough, they could.

Should you limit it to just one shot?

TIM CLARKE: I think it would be a nuisance for somebody to take in eight cases every two days a week or every day or that type of thing.

And also, we've got to remember, and I've worked in several markets, everything comes down with the market will support and bear.

You may not have, just because there's an eight case cap on a nine liter case, I would venture to say that a third or maybe even more, maybe 40% or 50% of the items would be two case levels, three case levels, because not everybody's buying in eight case levels.

We've experienced that with these jumbo cases. Really we just kind of had our toe in the water with this. We hadn't really reached out with a lot of multiple products and we just run two programs a month.

One of them is 48 bottles and the other one was two layers on a pallet basically, and so the participation I think would pick up if you were able to accommodate what the market is willing to bear and what they buy.

And it always comes down to what customers are buying. If nobody's buying your deal, you have the wrong program in place. It won't work.

So I guess the answer to your question is, if there was a 75 liter cap, I can't imagine, we've taken the care to, I think last year one of the distributor's saw it as becoming a tractor trailer truckload with cardboard around it.

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We're now down to 75 liters, we were at 135 liters with the Senator's proposed bill on the floor last year that got nixed.

We're now down 75 liters and to think that somebody may get an edge because they're going to buy it every day of the week, is over managing in my opinion.

REP. STONE: Thank you, Representative, and I would point out that the 75 liter discount, for lack of a better term, under the bill as proposed, you don't get a greater discount if you buy five 75 liter pallets--

TIM CLARKE: Correct. That's correct. Same price.

REP. STONE: --the same discount for each.

TIM CLARKE: And I also am under the impression that, we had mentioned that it would be available to ship loose.

REP. STONE: Right.

TIM CLARKE: Which would really aid a lot of the other distributors if they wanted to participate. It's a little more cumbersome, handling the big--

REP. STONE: I don't think the bill tells you how you have to package that 75 liters. Just one last thing, I lost my train of thought here.

TIM CLARKE: It's been a long day. You guys have had a lot of presentations.

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REP. STONE: I'll get back to it. Does anyone else have any comments or questions based upon that?

Lou's going to save me by asking you a question.

REP. ESPOSITO: While he's thinking, I'll just--

TIM CLARKE: I'm getting my calculator out.

REP. ESPOSITO: I hope it's better than mine because I got a rusty mind, I'm getting old. It's difficult to think.

The way you answered Representative Greene, I was kind of confused with your answer, when we're at the 75-liter cap.

You said you'll have to buy two cases and two cases, are you saying they could buy two cases a week, and when they reach eight cases, then they would get the discounted price?

TIM CLARKE: No we're not suggesting that. I'm saying that the maximum cap of 75 liters is a maximum, but I suspect there'll be a lot of products that are offered at a lot lower quantities than that.

Because they just don't sell fast enough. Certain items don't sell as fast for somebody to be able to buy eight cases.

REP. ESPOSITO: And on that same train of thought, is there any wiggle room in the 75-liter cap?

I know we came down from 135 to 75, is everything etched in stone here, or do you guys feel that it's got to be 75 liters for it to work for you?

There seems to be a lot of opposition to the so-called jumbo case.

TIM CLARKE: It's a good question. We started out at a tractor-trailer truck and went to 135 liters. It's an unusual way to define a quantity with a distributor, talking about liters to begin with.

Normally we just talk about cases, and it could be five cases, or eight cases. Somehow we ended up with liters. I'm not sure where that came from.

Keep in mind that the maximum, 75 liters, is eight, nine-liter cases. That's two of the biggest sizes, a 750 and a 1.5 liter.

But when you get into a, you know the five liter boxes with the taps on them?

REP. ESPOSITO: Yes.

TIM CLARKE: Those are enormous brands. There's a few brands that do a lot of business. Those are 20-liter cases.

So if you have a cap of 75 liters, a distributor, if they chose to offer a lower price, and sell that size, you'd only be able to put three cases out, and stay within the proposed law.

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And so the benefit of having a quantity, getting back to my comment to the Senator earlier, about, you lower your delivery cost and you pass on your savings.

The larger jug brands, will be the maximum, [inaudible] 75 liters will be four cases, three cases. These are going to be very small quantities.

So I think 75 is as low as it could go, and I think that, again, I'm one person, I'm making my suggestion, otherwise we should undefine it.

REP. ESPOSITO: Not as low as it can go, as low as you would like to see it go.

TIM CLARKE: Yes, Sir.

REP. ESPOSITO: Thank you.

REP. STONE: Thank you, Lou. Representative Johnston?

REP. JOHNSTON: Thank you, Mr. Chairman. Welcome back to our Committee.

TIM CLARKE: Thank you, it's nice to see you.

REP. JOHNSTON: It's good to see you. The greatest amount of savings that you have, that then you therefore pass along with your quantity discount, and I'm not going to say jumbo packs because the bill before us is about quantity discount.

It's no longer really about jumbo packs. Is it in delivery charges, is that where primarily the bulk of your savings comes that you can pass along?

TIM CLARKE: There are so many pieces to it. If we have quantity discounting, now a supplier comes in to our building and says listen, you guys are going to promote Turning Leaf. We've got some programming money.

In other words, the supplier shares the cost with us so that we can lower our cost to the trade.

The guy in the warehouse is going to a one pick location to pull chardonnay, can take six or eight cases instead of one, and having to go to another location. That's a savings.

Loading the trucks, taking it off the trucks, speeding up your deliveries, paying an hourly driver, that's a savings.

I believe, and I've got opposition, mostly from my competitors by the way, not my customers, but I believe firmly that if we get a quantity discounting bill, and I would even say that you may want to consider sun setting it or studying it for a few years to see what the effects are.

But I believe, Senator, that we can all be more competitive in this business, trying to work together so that we're doing things that help all of us.

You're right. I've seen it in your meetings before and have heard you make a statement, you guys can't get together. You're right.

This is an unbelievable state and an unbelievable industry, and very challenging for you as lawmakers to change, because you've got so much opposition.

And it's either bully tactics on our part or somebody's part, and nobody seems to be happy, and I feel like there's common ground that could be had so that we could grow our industry.

There is business leaking out of the state, and I know you don't want to hear it and I'm not trying to be a smart guy, but if you do drive to border stores on Saturdays, it's all our license plates in the parking lot.

It's unbelievable. If it wasn't worth the fight, I wouldn't put up with all this aggravation for two years.

New Hampshire studied their own business. Four percent of their business comes from Connecticut.

We just want to be able to, as a distributor, to grab our suppliers, get in the game a little bit, give our customers a value, customer can buy it right.

They may pass on some of the deals. A lot of stores don't buy all the items that we sell

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now. That's all. Just want to have the ability to fairly and openly compete.

REP. STONE: Thank you, Tim.

REP. JOHNSTON: If I could have a follow up question, you're quite a showman with the long answer, I appreciate it though.

TIM CLARKE: Thanks for the time.

REP. JOHNSTON: Would you support cumulative posting, because Massachusetts does have cumulative posting.

And they also have posting where if you buy a minimum amount at the beginning of the month, then you can get the full discount, even on single bottles, cumulatively over the course of that month.

And I guess I'm asking that because I keep looking at our prices compared to Massachusetts with the assumption that if we go in this direction, we're going to be directly competitive.

But they have that cumulative post thing, which I think is reflected in lower prices, and we're not proposing that here.

So I don't know how much of this savings is actually going to end up on the consumer's price, because we are going to still be very different from Massachusetts.

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TIM CLARKE: Good question. I worked in Washington, D.C. where you have cumulatives, and the quantities went up much higher.

In most of the other markets that I've been to, you set the price on a reasonable level for people, and as I said before, and I know as lawmakers you're trying to govern where that level should be, to do the right thing for all of us.

But believe me, the trade will really dictate where it all ends up. Because if nobody's buying your deals, you have to lower your quantities. Correct?

REP. JOHNSTON: Correct. Would you support cumulative posting?

TIM CLARKE: I don't think it would benefit us because it would drive up the quantities. It would play into the bigger stores, in my opinion.

REP. JOHNSTON: You would think it would play into the bigger stores--

TIM CLARKE: Yeah.

REP. JOHNSTON: --versus given the smaller stores that could initially buy three cases and then buy individual bottles that would accumulate to cases, that that wouldn't benefit them moreso, so they wouldn't have to buy that ten case lot?

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TIM CLARKE: Cumulative deals, in the markets that I'm familiar with, it always presses up the quantities.

There's 25s and 50s and bigger quantities than I think people would care to get into here, my personal opinion.

REP. JOHNSTON: Thank you. Thank you, Mr. Chairman.

REP. STONE: Thank you, Representative Johnston. I did remember the questions that I had. You offer a quantity discount now--

TIM CLARKE: Well we're offering a larger case--

REP. STONE: --a jumbo case.

TIM CLARKE: --the lower unit cost, but we can't offer quantity discounts.

REP. STONE: Do you offer different sizes of jumbo cases?

TIM CLARKE: Yes, Sir.

REP. STONE: At a lower per unit cost? So if I buy a jumbo case that is, let's say, 250 liters of alcohol, will I get more of a per unit discount than if I buy a jumbo case that's 100 liters of alcohol?

TIM CLARKE: I'll try to explain it so it's not confusing. Two different products are higher volume items--

REP. STONE: Why?

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TIM CLARKE: Pardon me?

REP. STONE: Why?

TIM CLARKE: Because they're higher volume items, we ship those in 336 bottle cases. And the higher priced, lower volume items, we put those out in 48 bottle cases.

REP. STONE: You offer the same item at different sizes?

TIM CLARKE: In terms of jumbo cases, well we do because we offer Turning Leaf this month, it's available in a 336 bottle case and a 12 bottle case.

REP. STONE: Well that's the question. So is my per unit cost, if I were to buy--

TIM CLARKE: The 336 unit bottle case?

REP. STONE: You're going to have to let me finish the question. I know you think you know, and maybe you do know what the question is, but just let me, for the record, let me ask the question first.

In your Turning Leaf example, you said you had a 36-bottle case, or a 32-bottle case? What did you say?

TIM CLARKE: It's 336 bottles.

REP. STONE: You have a 336-bottle case and a 12-bottle case?

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TIM CLARKE: Yes, Sir.

REP. STONE: Is my per unit cost on the 12 bottle case higher or lower than my per unit cost on the 360 bottle case?

TIM CLARKE: Higher.

REP. STONE: Is there any other size cases in between the 12-bottle case and the 360-bottle case?

TIM CLARKE: Not on that item.

REP. STONE: Let's take another item then. Is there another item, same item, in which you have different sizes of discounted cases?

TIM CLARKE: Yes, for instance Fry Brothers.

REP. STONE: Okay, let's take Fry Brothers. What's your smallest case?

TIM CLARKE: Twelve bottles.

REP. STONE: And what's your next largest case?

TIM CLARKE: Forty-eight bottles.

REP. STONE: And what's your next largest case?

TIM CLARKE: That's the largest.

REP. STONE: Okay, so you only have, is there any single product that you sell where you have more than two size cases?

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TIM CLARKE: No.

REP. STONE: Okay. Another else have any other questions?

REP. ESPOSITO: You mentioned earlier that we should try and study it and maybe sunset it. Does that mean that you're also open to the idea of maybe target areas, trying it in a target area rather than statewide?

If you're saying our sales are being lost on the border states, maybe we should try it in Enfield and up on the Rhode Island border to see if it's going to work out.

Would that be something that could be handled without disrupting the rest of the supply chain?

TIM CLARKE: I think it would move the border. In other words, if Stonington is competing with Rhode Island, and we made quantity discounts available to them, then the people on Groton would be at a disadvantage to Stonington.

It just would move things further into our state. I don't think it would be totally fair, no.

REP. ESPOSITO: Well that's similar to what we said earlier, that the price breaks would only affect the border towns anyway.

Someone living in New Haven isn't going to drive to Massachusetts to save two or three dollars a bottle on whiskey, when the price of gasoline is so exorbitant now, it doesn't pay.

I guess I'm trying to find out where the industry wants to go, other than just knock it down, or set it up with all job locations.

Just trying different ideas so we could see when we get back into Committee what to do with it.

TIM CLARKE: Yeah, I appreciate that.

REP. ESPOSITO: Thank you.

REP. STONE: Thank you very much, Representative Esposito. Anyone else? Tim, thank you for your testimony.

TIM CLARKE: Thanks for all your time, you guys, thanks.

REP. STONE: And while Tim is clearing the display area, Neil Briskan. Is Neil still here?

NEIL BRISKAN: Yeah, I'm here. I have no slides so I'm just going to state that right now.

Senator Colapietro and Representative Stone, just before they start my timer, I just want to comment on a couple things Tim said, and people said previously.

When I came to the state in 1990, there were 1,478 retail stores. Fourteen years later, there's 1,050 retail stores.

So I'm just letting you know that attrition is something that's happening in this industry,

and this was before jumbo cases, this was before quantity discounts.

REP. STONE: Do you have an opinion as to why that happened?

NEIL BRISKAN: In all honesty, there are more large stores in this industry than there were in the past. People are more aggressive, using beer which you can sell at cost.

It's a more competitive market. We probably had more retail stores than we needed in the State of Connecticut, in all honesty.

I also would like to comment on one other thing. If the rest of these distributors are so concerned about protecting retailers, then why isn't every case on sale every month?

Why is it on sale one month, off the next month, on the next month and off the next month?

Okay, and why is it in many instances the key brand's on sale and it doesn't return at that best price for another 90 days?

And one other thing, we're offering volume discounts to our customers because we have many items that we buy in multiple sizes, a 750 bottle, a liter bottle, a 1.75.

Customers can walk into my store and make a value judgment on what size they want to buy, and by buying the larger size, they're getting a quantity discount. It's their choice if they

want to spend \$10.99 for a fifth or \$19.99 for a mag.

We're offering the same situation right here. If a retailer wants to buy one case, he pays one price. If he thinks his usage is going to be higher, he buys eight cases, or four cases, and saves money. Okay, that came off of Tim's time.

REP. STONE: Neil, I'm sorry, who do you represent?

NEIL BRISKAN: I'm sorry. I own Wine and Liquor Outlet, it's in Orange, Connecticut on the Post Road. I've owned it for well over eight years. I'm a good-sized retail store.

REP. STONE: Are you in favor or against quantity discounts, Neil?

NEIL BRISKAN: I am in favor of quantity discounts.

REP. STONE: Thank you.

NEIL BRISKAN: I'm going to try to summarize this real quickly. If competition wasn't here in Connecticut, I'm probably the poster boy for being bombed by competition.

In the last year, a Costco a quarter of a mile away reissued their license. Anybody who doesn't know Costco, they're the largest retailer of beverage alcohol in the country.

And the town that I have my business in removed its distances, so 500 feet away, a 7,300-foot store opened up.

So the last thing I should want is more competition, because I've had two big retailers open up, and I'm in favor of quantity discounts and I'll tell you why.

I don't want anybody else to run my business. I don't want all these guys sitting behind me to run my business.

I want to be able to make a decision as to what I buy, and if I buy at bigger quantities and want to pass the savings along, I should be allowed to do this.

These distributors should not be dictating if I can pass savings on to my customers. Okay? It's wrong to have them run the business.

We're big boys. If I can invest my life savings in a business, I should be able to pick and choose what I want to buy.

Maybe it's an eight case program, maybe it's a four case program, maybe it's a two case program, maybe it's one. We can't buy them all.

These jumbo cases have been offered. I don't buy them all. My name's on that chart, I pass on them left and right. I pass on the four case ones.

Sometimes I pass on the 336 bottle ones, because I don't think they're right for my business.

But the bottom line is I should be the one who decides that. When I came into this state, I remember the Burlington [inaudible] was a shopping mecca.

And I remember there was a Rickles and a Heckingers, and everywhere you turned there were big hardware stores, Grossman's as a matter of fact.

And Home Depot came in and everybody said oh my God, another hardware store. And you know what, Rickles went out of business and Heckinger went out of business and Grossman went out of business.

And you think, great, now Home Depot is just going to raise prices and dominate the business. Well what happened, Lowe's came into the state. Sears Hardware came into the state.

It's good competition. If you go to Home Depot, they have low prices on everything with a price guarantee, that they'll match Lowe's, who will match them, who will match Sears.

The bottom line is competition is good. Yes their big box stores, but the bottom line is the hardware stores that went out of business were replaced by big box stores that offer more things at better prices. To me, that's not wrong.

REP. STONE: How big is your store, Neil?

NEIL BRISKAN: About 7,800 square feet. Let the distributors sell quantity. Let the retailers

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REP. STONE: How big is your store, Neil?

NEIL BRISKAN: About 7,800 square feet. Let the distributors sell quantity. Let the retailers

decide what they want to buy, and the consumers are going to save.

Because when those jumbo cases are offered, the minimum bottle is reduced. I advertise those products. I feature those products. I use them to bring people into my store.

I've been in this state now since 1990, and the only law that's changed affected liquor has been one hour has been added on to the day.

Think of what's gone on in this business over that period of time. Businesses have changed in so many different ways, and we're still in what I consider an antiquated business.

And here somebody comes up with a reasonable program to make it so that we can be more competitive.

If distributors don't want to offer quantities, tell them not to. If they don't want to offer eight cases, tell them they don't have to.

It's not their business, the point is there's a distributor that wants to give us an opportunity to buy, we should.

When an item that's deep posted, it's at its lowest point, I may buy 100 cases of it. So it doesn't matter if there's an eight case program, if I need 100 cases, I've got to buy 100 cases. There's no deal on that.

The point is it's at the best price it's going to be. Where is that saving the small guy? I have to buy a 90-day supply of Bacardi rum.

That's more than some small stores might be able to fit into their store.

I don't see you guys going, hey, you know what, let's protect the small guy. We're not going to give you a 90-day buy, we're going to let you buy it all the time.

So the bottom line is, who's going to win if we're able to offer these, in all honesty, who's going to win?

Lower prices to me mean lower prices to my customers. If our customers get lower prices, they're happier and they're going to buy more products here in Connecticut.

Are they going to consume more? That's not what we're asking for.

Consuming alcohol, which is clearly a different subject than bottled water, or food or other things, it's something that you just don't want people to suddenly increase their consumption 15%.

But if we're more competitive in Connecticut and we don't bleed out to the borders, and there's no number.

None of these guys here are going to give you a number and tell you how much business is being done in Massachusetts and New York, etc.

But what I can honestly tell you is that why would all those stores, you saw those newspaper ads, why would they possibly advertise here in Connecticut if they did not think they could draw Connecticut customers into Massachusetts?

Why would the Hartford Current be running huge ads to move people to that market? Obviously, Massachusetts people don't buy the Hartford Current. Connecticut people do.

The beauty is we can increase the state's business without increasing hours, without increasing days.

And the bottom line is, our Governor has suggested increasing the tax on alcohol.

If there's anything that will drive more business to surrounding states, try increasing the tax on alcohol and make it less competitive than it is now.

All we're trying to do is protect Connecticut's business and maybe grow the business and add a little dynamics to this industry.

REP. STONE: Thank you, Neil, for your testimony. Did you submit written testimony as well, Neil?

NEIL BRISKAN: Say that again?

REP. STONE: Did you submit any written testimony?

NEIL BRISKAN: No, nobody could read this but me.

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REP. STONE: You did a great job without it, I just, in terms of your presentation. I just had a question for you.

There's other parts of this bill that we've talked about and I don't know if you've had a chance to look at them, but one of those is what some might consider, right now, at least in the spirits side of things, we have in effect what some might consider to be a quantity discount, although limited.

If you buy by the case at a lower price, but you sell at the higher price per bottle.

What this bill proposes is that retailers would be allowed to charge no less than their acquisition cost, and you're more familiar than I am.

Whether it be at the per bottle acquisition cost or the per unit acquisition cost in a case. Do you have any thoughts on that?

NEIL BRISKAN: By the way, would I favor it, yeah. I would favor cost of acquisition, because when you go to other states, you can't sell everything at zero cost.

What retailers do in other states, if you look at it is, they pick a couple brands and they feature those brands, maybe it's Absolute and Smirnoff or maybe it's Bacardi and some other brand, or maybe it's some wine brands.

You can't take everything you have and sell it at zero cost and pay the rent, and pay for the utilities, and pay the employees.

Would I favor it? Basically it's removing the minimum bottle. Would I favor that? Yes.

Do I think it's the same issue as this? It could be related, it could not be related, but do I think it would open up the market? Yeah, I think it would.

REP. STONE: And the other thing was, and I guess this wouldn't affect you, but I'll ask you anyway, on the look back, where they post a price and then they have three days to amend.

There's been some testimony, some people are against that proposal, some people indicated that that may be like more competition because you don't have the opportunity to look back and you've got to give your best price up front.

At least that's what some have opined. What are your thoughts on that?

NEIL BRISKAN: Well my thoughts are if you let them all peek and amend down to the low price, it's a price fixed market.

You're allowing all these distributors to price fix because they're all going to amend down to the lower price.

What do I think would be best? If you didn't allow them to amend down and they posted the higher price, guess what?

Thirty days later when they post it again, they'd be sure to make up for it. It would make them all more competitive with each other.

I mean, let's face it. When Lowe's puts out a circular, they put out a price. If they beat Home Depot's price, now Home Depot has to react to that particular price.

Do I think they should be able to look at each other's ads and have the two guys side by side and go, hey let's make sure all John Deere tractors go out at the same price? I don't think so.

I think that would be price fixing, that would be collusion.

REP. STONE: Thank you, Neil. Does anyone else have any questions of Neil? Neil, thank you very much for your testimony. We appreciate your waiting and sticking around. Gary Roundsville? Is Gary still here? John Blesse?

Hi John, good evening and thank you for your patience.

JOHN BLESSE: Good evening, my name is John Blesse HB6608 and I'm here today representing as a winery owner and also Vice President of Sales for what would be deemed a small wine company.

I'm a resident here in Connecticut. We have offices here as well as on the West Coast.

Earlier there was question brought up, first of all I'm here in support of the quantity discounting that's at hand.

I bring that up because earlier it was talked about that the only benefit from a quantity discounting perspective would be to larger wineries.

And based on the idea that this is limited to an eight case quantity, but could be as low as two, as a small winery owner and operator and a resident in Connecticut, the benefit also would serve me and the brands that I have within our portfolio.

I wanted to start by talking about quantity discounting, which is already in the state. I'm also a former restaurant owner here in the State of Connecticut, had a restaurant in New Canaan, Connecticut.

For years we've had the opportunity to either buy a 12 bottle or a 6 bottle unit, or to buy it by the single bottle.

My wine list had some 400 wines on the wine list in New Canaan, and there was items that may move three bottles a month, that I would buy one bottle and then mark up and have it based on a single bottle price.

Or an item that would be by the glass, and I would buy that by the case, thus getting the savings on a 12 bottle or a 6 bottle unit versus a 1 bottle individual cost.

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So there's already the opportunity to buy a single bottle, or to buy 12, thus there's already a volume discount in play.

The confusion for me as a supplier in the state is, I'm not sure what the difference between a 12 bottle or being able to buy 24 bottles, if I still have the opportunity to buy one, or to buy six, or to buy three, whatever the demand is as a restaurant owner or a retailer.

Because the cost of inventory in this business, whether it be at the supplier level, whether it be at the wholesaler level, whether it be at the account level, one of the greatest costs all of us have is the cost of inventory.

In addition to that I would add that in reference to the channel pricing issue, as a former restaurant owner, to be for or against channel pricing, I think based on the idea that I can buy a bottle, 12 bottles, 24, 36 or 48 bottles, the idea of channel pricing already exists in the marketplace.

That's been in place, whether it be a single bottle, or a 12 bottle unit.

UNIDENTIFIED SPEAKER: [inaudible]

JOHN BLESSE: I'm sorry?

UNIDENTIFIED SPEAKER: [inaudible]

JOHN BLESSE: Yeah, I guess my point being is, if I'm back to my 400 item wine list, if I have an item that's only going to sell three bottles in a week, I already have the choice to buy those

three bottles and to mark that bottle up accordingly.

No one's dictating to me as a restaurant owner or as a retailer, how far I can mark that product up.

So it's my decision as an owner, to Neil's point. In the same light though, I guess the additional piece, as a former restaurant owner and now as a winery owner, the idea of the minimum bottle.

I today represent our company in 43 states across the country, and the idea that we set a price point by which a retailer cannot go below, is like, I likened it earlier to, if you owned a house, should we then dictate that the house costs \$25,000 to build but you can't sell it below \$50,000?

And I understand there's a difference between alcohol and a house, but I guess the thought is as I travel these states, and you try to explain to a retailer where you're from, and they say that's the state with the minimum bottle law, right?

And then you try to explain that we dictate to a retailer what they're going to pay for a product, and then we turn around to that same retailer, who's in business to draw more business, to grow their business, small, medium or large.

We then say beyond that, as a supplier and as a distributor, we're going to also dictate to you

where you can sell that product at from a cost perspective, thus dictating profitability or lack of.

Where if we say you buy it for \$8.91 and you can sell it for \$8.00, there's nothing that keeps me from selling it for \$11.99 if my consumer will bear that \$11.99 price.

The only other thing that I really want to touch on was in the bill from a perspective of the amending of the pricing.

I think that's an interesting quandary as an owner of a company. Today we allow two distributors with similar products, a dual market where two distributors, three distributors, five distributors can have a product.

We're giving them the opportunity to amend their pricing.

I would suggest that in the State of Connecticut, if we're going to allow a distributor to amend to another distributor's pricing, then I should have the right, as a Washington state wine owner, to see all the Washington state wine pricing on another brand? I own a brand called [inaudible] Light. I would like the distributor that has Columbia Crest on the market to allow me to look at Columbia Crest pricing so that Columbia Crest can't have an advantage over me that particular month.

I'm challenging on what the difference between those two examples are. If I have a product from Spain, and I do, I should be able to see every like product in Connecticut, review it for three days, and determine if I want to amend my pricing.

It would seem to me as a Connecticut business owner, because our business is as much here as it is in Washington state, that that should be a right that I would have as a supplier who lives here locally, would be able to review the competitive pricing of other wineries.

I think it's the same example. The only other thing that I would bring up is, I heard the conversation earlier where we were comparing the Massachusetts pricing to the Connecticut pricing, I believe it was on Dewars?

It would seem that we need to take a look at that because I do go to both markets, and I would challenge that the pricing we talked about earlier, one was comparing the distributor price here in the State of Connecticut to the retail price in Massachusetts.

To the point of quantity discounting, I think we're looking at a distributor's wholesalers book here on what the cost of acquisition is?

What the price of Dewars is here, and saying do the math in Massachusetts for six bottles, which was actually the retail pricing.

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To the point of quantity discounting, the wholesale price in Connecticut in that example was actually greater than what six bottles could be purchased for in Massachusetts.

So I would just ask that we look at that math again because that's, as we were listening to that math, I would challenge that that was probably a retail example versus a wholesale price example between the two markets.

Only because I think the cost would have been \$32.99 a bottle wholesale, which is not the correct answer.

We were looking at two different pieces of information there, and that's sort of, as we were listening to the argument in the back.

REP. STONE: Thank you, John, for your testimony. I don't know if you had anything you wanted to finish up with or wrap up with?

JOHN BLESSE: No, that'll do it.

REP. STONE: Okay, thank you, and I don't mean to cut you off but I know that we're running, your three minutes is up.

SEN. COLAPIETRO: I just had, probably a comment. One of the things you said kind of expresses how I feel. You said if I want to go to \$11.00 a bottle, I can.

That's basically my problem here because, how many consumers are in this room? There's a few. You don't buy your opponents product though, you know what I'm talking about.

I know you're not going to come over here and buy somebody else's wine, but the problem is is right up here, right now, there's businesses that are here and rightfully so, probably.

But I am concerned and I have been concerned for years now, where am I going to guarantee that the cost savings that we give out to all you folks are going to go to the consumer?

You said it, and it happens in the gas industry as well. How come you charge so much over here? Because I can. That's what bothers me.

JOHN BLESSE: If I could comment to that, the comment today that I would have is, today the choice doesn't belong to the consumer nor to the retailer.

The decision on what a bottle of wine or a bottle of spirits in this state is going to cost, is dictated by suppliers and distributors, due to the setting of a minimum bottle.

Buy it for \$8.00, you have to buy it for \$11.99, you can't buy it for less.

One thing's for sure today, we know the consumer cannot get a bargain based on minimum bottle law.

REP. STONE: Thank you, John. Anyone else? Thank you very much, John, for your testimony. Gail Powell, followed by Michael Stein. Is Gail

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still here? She's probably on her way to the UConn game.

Michael Stein? Is it Stier or Stein? Stein, I'm sorry Mike. I didn't want that mention of the UConn game to affect the length or the breadth of your testimony.

SEN. COLAPIETRO: Let's make it two minutes now instead of three.

REP. STONE: Go ahead, Mike.

MIKE STEIN: No problem from my perspective. I only wanted to address really one point, but let me say first that I'm co-owner of a mid-sized store in Naugatuck, Connecticut.

I also live in Danbury, I mention that because we have a Member who's not here today, and I've been in the business for 10 and a half years in Naugatuck.

I'm opposed to House Bill 6608 and I feel that it's kind of a rouse to favor the larger stores and suppliers, and the reason I say that is because I believe that we actually have quantity discounts today.

And as an example, I brought with me a recent what we call a buy in sheet.

At the end of the month each of our suppliers tells us what the prices are this month, the stuff that's on sale, and what they're going to be over the next three or four months.

And what this buy in does is, true that the price of case one is the price on case 10, but it's up to me to decide whether I want to buy one case or three cases or 20 cases, and I think that's a point that Neil made also.

That he can buy 100 cases or he can buy eight, and to me that's quantity discounts, because I'm going to buy the goods that's going to last me until the next deep post off, which might be those numbers.

And it's going to be for three months most of the time. I can do that and buy 100 cases, my competitor down the street might buy 200 cases or they might buy one case, whatever is right for his business.

But we're all playing on the same field. There's no advantage other than the business that I do.

I just wrote down a few examples of key items that were on sale this past month, the end of February, and these all are familiar names. Seagram's VO in February, there was a sale off \$24 a case, off of the case. If I was to buy it in March, it would be six dollars off, in April \$20, and it's not until June that it comes back to that price again.

So I bought whatever number of cases it takes me to get there.

Captain Morgan, another popular item, \$24 off in February, zero in March, \$13 in April, now for me if I only bought to get to April, I

wouldn't make enough money to keep the lights on, so I bought enough to get to June which again, was \$24.

Now it's not just liquor. One of the biggest brands in our store is Kendall Jackson. It's mostly chardonnay. I purchased a fair bit of that at a \$27 sale price to get me to June, where again it's \$27 off.

REP. STONE: Let me ask you to wrap up [inaudible - microphone not on]

MICHAEL STEIN: Sure. To me, that is volume discounts.

REP. STONE: Thank you for that testimony. I appreciate that. Any Members of the Committee? Thank you very much, Mike, and thanks for sticking around and your patience today. Appreciate it. Alan Wilensky, followed by Rod Johnson.

ALAN WILENSKY: Good evening Senator Colapietro, Representative Stone, Members of the Committee, my name is Alan Wilensky, I'm here representing the Connecticut Package Stores Association. I also own a liquor store in East Lyme.

You have my written testimony specifically addressing all of the aspects of House Bill 6608. We are against House Bill 6608.

You also have the pricing matrix that I provided that Representative Esposito referred to earlier.

What I also brought with me today is this particular book, which is the Massachusetts Beverage Journal, and I can tell you that the prices that are shown in my pricing matrix are accurate and true.

What I will reference on the pricing matrix is the first three items that I gave you on that sheet, are Gallo products, and just to go over a couple of things, the Carlo Rossi price on four liter, which I believe I have a typo on, it says 1.5 in my matrix.

The one case price in Massachusetts is \$36 [Gap in testimony. Changing from Tape 5A to Tape 5B]

--is exactly true. It's 68 cases in Massachusetts to get me to the one case price in Connecticut.

But what I would like to also reiterate is that House Bill 6608 is anti-consumer and anti-business.

The consumer is the hugest loser in this bill, as are the retailers right behind them, and when the retailers lose and are forced to increase inventory and handling costs, it is a detriment to the consumer and their price and selection.

My most notable concern right now is the sudden arrival of the working draft that was presented at 10:30 this morning.

I assume that it's designed to be a substitute language bill to House Bill 6608 and it scares me to death.

AN ACT CONCERNING THE DEFINITION OF A CASE OF WINE AND A CASE OF BEER FOR QUANTITY DISCOUNTS is the title of the bill, but that's not anywhere near what this bill does to this industry.

We also have never seen, in my time up at the Legislature, a situation such as this where a new draft bill of this magnitude of change has been presented at the last minute, which would have such a devastating effect on our industry.

I had an opportunity to work through some of the items through it, some of them are underlined as new, some of them are entirely new paragraphs.

We have a new split case definition. The new definition of the larger cases. Multiple and varied wholesale pricing within the same month, volume discounting, which is what I covered in the House Bill 6608 testimony.

The variation and elimination of minimum bottle as we know it now, a drastic increase in single bottle pricing, delivery surcharges, channel pricing and depletion allowances, which has been a bill up here for the last few years, which has failed in Committee for the last three or four years as I remember.

All of which drastically hurt all of the retailers in Connecticut. This even newer bill

is even more anti-retailer to the extreme benefit of the manufacturer and the wholesaler.

At no time were we, the retailers, consulted as this anti-retailer bill was constructed.

At no time in history has the CPSA unilaterally written a bill against the wholesaler manufacturers, yet this seems to be what's happened today.

This is a bait and switch maneuver, although both the bait and the switch is bad for our business.

The bill is convoluted, contradictory and horrendously one-sided. This bill is a deception and I don't know who wrote it, but it certainly didn't have a retailer in the room.

I would also, if given the opportunity, would like to respond to a number of things--

REP. STONE: I'd ask you to finish up.

ALAN WILENSKY: That's all I have. I would again refer to the written testimony that I've provided.

REP. STONE: Thank you very much. We've had several meetings over the past several weeks and your lobbyist has been part of those meetings.

Does anyone have any questions of this gentleman? Yes, Representative Johnston.

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REP. JOHNSTON: Just a quick question. Alan, would you be able to provide, at least myself, a copy of the most current Massachusetts and Connecticut Beverage Journal?

Because what I'm afraid I'm looking at is, I can take a snapshot of 20 products, I would assume at any point in time, and compare any state to Connecticut and make it look like Connecticut is tremendously underneath them and vice versa.

I'm sure I could jump in that Journal and find 20 products in any given month, that Connecticut is entirely much better off than another state.

So if it's available, I would appreciate to have both of those so that I can just unilaterally go through it and pick a dozen things at total random and that way it would give me a better snapshot of where we're at.

ALAN WILENSKY: I'd be happy to provide that to you. I got a delivery of the, I believe this is the January Beverage Journal from Massachusetts.

What I will tell you is that the Massachusetts Beverage Journal does not have an index as Connecticut's does, so you have to flip through it page by page to find the items that you want. I don't know how they do business up there.

REP. JOHNSTON: I'll navigate it. Thank you.

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REP. STONE: Thank you very much, Representative Johnston. Anyone else have any questions of this gentleman?

If you would like to submit written testimony in response to the working draft, you're more than welcome to do that.

We have received information from your lobbyist over the course, as I said, several weeks, so you can supplement that if you like.

Thank you very much for your testimony. Next is Rod Johnson.

ROD JOHNSON: Good evening.

REP. STONE: Hi, Rod.

ROD JOHNSON: My name is Rod Johnson. I am an employee at Allan S. Goodman, it's a wine and liquor wholesaler out of East Hartford.

I'm also the shop steward over there and member of the Local 671 Teamsters. I've worked at Allan S. Goodman for 26 years. I'm opposed to this bill and I'll tell you why.

On a typical day, I take out between 250 to 350 cases, probably about 40 [inaudible]. Probably on an average stop I deliver anywhere between five to 10 cases, dirty bottles, all different items, all different product.

As I understand this bill, the customer that can buy more wine is getting the better discount, is getting the better price.

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I truly believe that this is going to hurt the small stores. They just don't have the room to store the stuff, it's just going to benefit the bigger stores.

If this thing is passed, I think it's going to be less accounts that we have to deliver to, which is going to trickle down to my job, to Teamster jobs.

If our company has to reduce costs, there isn't too many companies I know that start cutting jobs at the top. They start cutting them at our level.

And it's not just Teamster jobs, it can be, it starts with us maybe and then it goes into sales or the office or whatever.

REP. STONE: Thank you, Rod, for that testimony.

ROD JOHNSON: All right. Thank you.

REP. STONE: Does anyone have any questions of Rod? Thank you very much, Rod. Now Rod, are you speaking on behalf of the Teamsters organization or just yourself?

ROD JOHNSON: Teamsters.

REP. STONE: Okay, thank you. Clem Sayers.

CLEM SAYERS: Good evening. Senator Colapietro, HB6608 Representative Stone and Members of the Committee, my name is Clem Sayers and I am the

General Manager of Rogo Distributors in East Hartford.

I run the business that Dave Heller and his family own. I've done that for a few years, 25 plus, and have seen a lot of changes in the industry, all to the good.

I am opposed to quantity discounts. I think I'm for increased consumption though, somebody said something about that before, I think I'm for that.

I'm opposed to this bill, and you've heard a lot of reasons why. I'd like to cite one example and I'll be very brief and explain to you why I think the system that we have now works and works well and provides our consumers with the best prices out there, and I speak for beer.

In Western Massachusetts, and I'm going to use a Coors Light 30 pack as an example, in Western Massachusetts the case one price for a Coors Light 30 pack is \$19.89. In our market it's \$18.99.

They have quantity discounts there. In order to get their best price you have to buy 95 cases. When you buy 95, you pay \$18.49 per case.

You can buy Coors Light 30 packs in our market from case one at \$17.49, eight months out of the year.

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So I really don't see how quantity discounts will help the retailer or the consumer in this area.

REP. STONE: Thank you very much, Clem. Does anyone have any questions? Thank you very much for your testimony, Clem, and thanks for sticking around. Jeff Johnson?

JEFF JOHNSON: Thank you for your time tonight. I'm a distributor, I'm a wholesale distributor for Brescome Barton Distributing. I'm in sales, and the key word to my company name is distributors.

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I distribute goods and services to a certain number of accounts within the state, that's my territory, my route.

Why do I oppose quantity discounting? The bulk of my accounts are small to medium sized. I don't have multi-million dollar grossing stores.

Family owned business, mom and pop shops, grassroots stores, restaurants, bars, for them, any one of these accounts to outlay for these jumbo cases, that's a tremendous amount of their financial resources in one particular brand.

By allocating those resources to one brand, all of a sudden, their variety shrinks dramatically.

A shrunken market means customers coming and looking for certain brands will divert to

different stores, different towns, different areas, okay?

There's really no other way to put it. The barrier entries for new supply companies coming in, the prices that they'll have to charge at case one, it won't be right because the trial size packages on pricing, if somebody would want to try a brand, won't be able to because it would be too expensive to try it.

So the entry bidder coming in for any new brands will be extremely limited also, and that's another reason by I oppose it. I think the ultimate judge should be the consumer on what brands come and what brands go.

It shouldn't be based on supply companies dominating more market share because they're throwing up these barriers to limit who comes in and who goes out.

REP. STONE: Very good. Thank you, Jeff, for your testimony, and I know you and I have spoken about this in the past, and I appreciate your input on this. Representative Johnston?

REP. JOHNSTON: I had a quick question. What volume of your sales happen the first week of the month and the last week of the month, which I've got to assume is the biggest volume because people like taking advantage of the post off on either end of the month.

JEFF JOHNSON: At any level of, and I guess store size, post offs are important. First and last

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weeks of the month are by far my busiest weeks, by far.

End of the month of course bigger than the beginning because you have all month to buy in on a posted item. People look for the pricing.

REP. JOHNSTON: I'm trying to understand the concept of the multiple post off two or three times a month or more.

How would that, would that spread out business and everyone keeps saying what problems it would create, and I'm just trying, from someone who sells directly with small stores--

JEFF JOHNSON: That's under the working draft. I haven't had a chance to look at that at all.

REP. JOHNSTON: Okay, and if I ask it now, if any other speaker comes up maybe that's in the same capacity as you that could speak to that, that would be--

JEFF JOHNSON: I think a lot of the retail trade, it's a Pavlovian fixture, they're already assumed that their pricing will come at the first of March and then a new post off [inaudible] will occur on April first.

So they're forecasting in there, in their software packages that they have on their computers what to buy and how much to buy based on previous sales.

REP. STONE: Thank you, Representative Johnston. I know that without referring to the specific

language in the draft, do you have an opinion on multiple posting throughout the month?

And whether that's good, bad, or whether it spreads out the deliveries during the course of a month or not?

JEFF JOHNSON: As far as my company, we're very service oriented. We deliver four, sometimes five days a week to begin with, to everywhere in the state.

I think as far as pricing goes, that's if say, account XYZ forecast 20 cases to be sold during the course of the month and all of a sudden he's already sold his 20 by the second week and he's out.

If there happens to be a post off in that time period, I don't know enough about it to really venture an opinion.

REP. STONE: That's all right. No, that's all right. Thanks, Jeff. Appreciate your testimony. Jerry Rosenberg and Richard Weis.

RICHARD WEIS: Mr. Chairman, Members of the Committee, my name is Richard Weis. I'm Executive Vice President of Eder Brothers, we're a wine and liquor distributor in West Haven, Connecticut.

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We service New Haven, Fairfield and [inaudible] County. We are opposed to this bill. When I came here this morning, I thought I'd be discussing quantity discounts, the original bill.

Obviously, there's been a working draft which includes a great number of different items involving both the distributor and the retailer business operations.

For the most part, what's in this bill favors the very large brands, the very large suppliers, and certainly is skewed towards the largest stores.

Our top 20 stores in our marketplace represent 20% of our store business. We service in southern Connecticut approximately 600 stores.

So three percent of our stores, representing 20% of our business. The other 97% of our stores would not benefit from what's in the working draft.

One of the questions I've heard several times this evening is with respect to multiple price postings during the course of the month.

A store would have thousands, maybe 10 thousand different items. We carry close to 3,000 different items.

To keep track of that number of items on a basis more frequently than once a month for your pricing, for your computer work, for your advertising, your advertisements both in the window, for newspaper advertising, it's a huge job currently.

To do it in weekly slices, only the very largest stores would have the programmers to handle the computer work for this.

There are a large number of medium sized stores that are computerized, but it's based upon a business operation which is far simpler than what this provides.

It would be a nightmare. It would be a nightmare for the distributors as well.

JERRY ROSENBERG: My name is Jerry Rosenberg. I'm the Vice President of Hartley and Parker Limited Inc. We're a statewide wholesaler of wine and spirit in the State of Connecticut since 1941.

Since 1968 I've been the Vice President working with my father. I'm opposed to House Bill 6608, as well as the draft that's been presented to us only today for our perusal.

As Richard says, this draft, as well as the original bill, is geared for large retailers as well as large suppliers.

And I have submitted to you, pricing between Connecticut and Massachusetts which I hope is before you now, and if it's not I have copies here for you.

You'll notice that I've given you two basic sets of prices. One is a no discount price and one is the lowest discount price.

These prices represent the Beverage Journal of February and March of Massachusetts and Connecticut and Representative, I have copies of the pages and can get you copies of the Journals if need be, that I'll be glad to leave with you.

You'll see that in every case, Connecticut's single case price is lower than Massachusetts, and in every case the maximum discount in Massachusetts cannot compete with the single case discount in Connecticut. And I think when you take a two-month sampling of February and March combined, it's a fair analysis because the standard discount may run six times a year.

And if you look at two months contiguously, you're going to pretty much handle what's discounted in that marketplace, especially when you look at March which precedes the Easter vacation.

You'll also notice that I picked very prominent items in order to display. It was done randomly by me just a couple of nights ago, with the Beverage Journals in my kitchen.

And without exception, you'll see that in some cases you have to buy 50 cases of Bacardi to pay \$113.94. It's \$107.46 in the State of Connecticut. Do we need quantity discounts?

Woodbridge Chardonnay, 1.5s in the month of March, \$52.44 in the State of Connecticut for case one, \$65 in Massachusetts if you buy 25. Do we need quantity discounts?

It seems to me that we're offering the State of Connecticut fantastic pricing to the case one buyer. Do we need quantity discounts?

Do we want the kind of pricing that Massachusetts is showing us here? I think not.

And I think we don't want to force the retailer to have to buy 50 cases in order to do it. There are many national retailers today who are not prominent in the State of Connecticut because they can't use their influence and their power.

If we go to quantity discounts, and believe me, this 75 liters to me is a foot in the door. I don't really believe this is where the camel ends, that's just a head in the tent and then we'll be sleeping with a camel just years from now.

If we give them the ability to buy on a quantity discount basis and use their influence and power, first of all they carry very few SKUs, very few items, and they sell them a little bit above cost.

They're happy making single digit profit. Why? They sell memberships. They also sell other items other than wines and spirits.

That's not what subsidizes their income. It's the memberships and all the other things that they sell beyond wines and spirits.

How is my customer base going to compete against that? They'll be the spoilers in this state and they'll cherry pick the items that are national brands only.

They only carry between 100 and maybe 200 items at best. I sell 6,000 items. Gallo sells in the hundreds of items, and they sell them by the case.

In fact, I believe they have a five case minimum requirement for you to even purchase. The rest of my competition doesn't have such restriction.

Most of their cases are national brands. A quantity discount lends itself to their environment because they sell by the case, they're national brands and they don't have all the 6,000 items that so many of us sell in the State of Connecticut that we have to deal with.

REP. STONE: I'm going to ask you to just wrap up, Jerry, if you could.

JERRY ROSENBERG: Let me answer a couple of things about this draft. Amendments? Whoever wrote that was never in the business before.

Let me tell you something, I used to do the purchasing at Hartley and Parker and I used to talk to people that purchased around this country, in different states that had no amendment.

In a dual market where there's two distributors, the fellow who did the purchasing

would find out in the middle of the preceding month that he had the best price in the state.

He couldn't get the goods. He had the best price, and yet the goods had to come from Italy, from France, from California.

He couldn't supply his customers with their needs because he didn't know he was going to have the best price until the last minute.

Let me say something else about amendments. Very often there's preferred distributors in the state where a supplier talks to one, doesn't talk to the other.

Well very often the pricing in Connecticut is an amalgamation of discussion between wholesaler and supplier as to what the discounts ought to be.

Well if he talks to one wholesaler and he doesn't talk to the other, it seems to me that's discriminatory, and he's not forced to do that.

Now one distributor would be at a marked disadvantage if he told one distributor to discount a certain price, didn't tell the other, the other one would simply be floundering and not know what to do.

This is reality. As far as multiple postings, may I say one thing about that? We now give the retailers the ability to buy the entire month, the best discount of that month.

If we go to multiple postings, I know what it takes, and some of the salesmen who sit behind me know what it takes for the retailer to create that month end purchase.

By the way, the Liquor Control Commission allows us as distributors, if we can't get all the goods out the last day of the month, they allow us a day grace in order to ship at last month's price, on the first day of the month.

We've been doing this for decades. We shouldn't be here for you to try to solve every problem that we have in the industry. That's not why we should be before you now.

REP. STONE: Thank you, Jerry. Does anyone have any questions of either Jerry or Mr. Weis? Thank you very much, gentlemen, for your testimony, appreciate it.

RICHARD WEIS: Thank you.

JERRY ROSENBERG: Thank you.

REP. STONE: Mike Scalise.

MIKE SCALISE: Hello, my name is Michael Scalise. I own a mid sized store in Colchester. Late last year I stopped my business relationship with Wine Merchants of Connecticut.

I originally signed the petition that was in favor of the jumbo case issue early on. I'm unfortunately new in this business and I didn't see the complexity of quantity discounts.

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Four out of the five stores in my hometown, and you can check with Wine Merchants, and Mr. Clarke, as far as it goes, has stopped doing business with Wine Merchants of Connecticut in protest of this bill.

I know there's a lot of things added and I'm just familiar with the previous issues, but Mr. Clarke actually came out to my store to speak with me about the situation in Colchester.

We spoke on his views, basically what he mentioned today and I think I'd be repetitive if I just spoke of the same things that obviously the CPSA and others have spoke on about the fact I would not be able to afford this idea.

I think it comes down to just having enough cash. There's only an initial investment in business, and these quantities that they want us to purchase in, storage wise would seem impossible for me.

I have nowhere to store these products and most of the mid sized stores and small stores in the state that I've spoken to, really are very fearful of this bill to pass.

I'd just like to be, if possible, if you have any questions.

REP. STONE: Well thank you, Mike, for your testimony. Mike, how big is your store?

MIKE SCALISE: My store's about 2,000 square feet.

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REP. STONE: And how much of that, does that include storage area?

MIKE SCALISE: No, no, no. I have storage in a basement, probably another 2,000 square feet.

REP. STONE: And the quantity discount proposal is 75 liters of wine, 125 liters of beer, which rough calculation is about eight cases of wine and about 15 to 16 cases of beer.

Do those two numbers pose a storage problem?

MIKE SCALISE: It does when it applies to a vast amount of items. That's where the fact that, many have mentioned too today that the selection in the stores would slim down.

I can't afford to basically expand the volume of my store that much. I can't put 10 times of every case that I have in there.

So there is going to be less selection, there's no doubt about that.

REP. STONE: Okay, and you're store's in Colchester?

MIKE SCALISE: Colchester, yes.

REP. STONE: I certainly understand that you received the working draft, I understand you haven't had an opportunity to go through each and every detail.

But if you'd like to submit written testimony or through your association would like to submit written testimony, we'd be more than happy to receive that after today.

We're not voting on this today. It won't be for a week, if not more, if we do anything, so feel free to submit additional information to the Committee if you'd like, okay?

MIKE SCALISE: All right.

REP. STONE: Does anyone have any questions of Michael? Michael, thanks for your patience and for sticking around, appreciate it. Stephen Downes.

STEPHEN DOWNES: Thank you, Chairman Colapietro and Representative Stone. I'm Stephen Downes. I'm the President of the Connecticut Package Store Association.

We represent most of the stores in the state, big, large and the medium size store, and we oppose this bill, House Bill 6608.

I think quantity discounts is not that consumer friendly to the State of Connecticut.

I think what will happen with quantity discounts is the big market areas, which I have a store, you'll end up with cheaper prices because we can afford to buy the quantities.

But the smaller markets and the Windham Counties and the other counties, they're smaller with the smaller stores, those people aren't going to be able to buy the deals.

So consequently they're going to have higher prices in the state, in the counties that have

small populations, so it's not a totally consumer friendly bill.

We also oppose any of the multiple pricing and we also oppose any of change in the minimum bottle or the single case.

Right now the minimum bottle brings organization to our industry.

Every retailer can read in the Beverage Journal or in the beer journals, what the minimum bottle price is, and we know, and for the point of advertising, we know what we can advertise.

If you eliminate that, it's just going to create chaos in our industry right now. Right now, they talk about minimum bottle, but right now the minimum bottle could be zero.

With beer, when we buy something, a lot of times we're just selling it for cost, and you can actually have a minimum bottle on any product that is set down to cost.

So you can discounts that way. We oppose these bills, and thank you. If you have any questions.

REP. STONE: Thank you, Steve. Steve, would the minimum bottle provision in the bill allow you to, if you bought spirits by the case, allow you to offer that same bottle to the consumer at a lower price?

STEPHEN DOWNES: Well if they could lower the price on the minimum bottle by posting the bottle in

the case and they could drop the price that way. That's what can be done right now.

REP. STONE: Well that can be done now, but would you agree or disagree with, there's delivery costs with a single bottle, there's other costs with a single bottle.

And wouldn't the cost to deliver, the cost of doing business be more for a single bottle than selling it--

STEPHEN DOWNES: Well we get charged more for a single bottle right now. Sometimes it could be up to three, five dollars more.

REP. STONE: Right, you can charge more.

STEPHEN DOWNES: No, we get charged sometimes by a wholesaler that much right now.

REP. STONE: Right, but that same price that you charge more for the single bottle, also applies to the bottle that you would buy as part of a case, even though your per unit cost is less.

STEPHEN DOWNES: Not totally understanding.

REP. STONE: You have a minimum bottle price.

STEPHEN DOWNES: Yes.

REP. STONE: And that's your cost to purchase that bottle, right? Your cost to purchase say, a six bottle case, your per unit cost for each of those bottles within that case may be less than

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what your single bottle price is. Would that be true or not true?

STEPHEN DOWNES: If it's like a \$30 post and a \$6 post, is that what you're--

REP. STONE: No, no. You've got to help me with how you do this posting. You've got a single bottle price, let's say it's ABC vodka, which if you bought as a single bottle would cost you six dollars, okay?

And that's the minimum bottle price. Now if you bought that same bottle as part of a 12 bottle case, let's say, the per unit cost for each bottle in the case may be five dollars per bottle.

Because you pay \$60 for the case instead of \$72 for that case. What is the minimum price that you can charge the consumer under that scenario?

STEPHEN DOWNES: Under that scenario, the minimum bottle is what I'd get--

REP. STONE: Would be six dollars, right?

STEPHEN DOWNES: Yes.

REP. STONE: No less than six dollars?

STEPHEN DOWNES: No less.

REP. STONE: Even though your cost of acquisition if you bought the case would be five dollars?

STEPHEN DOWNES: Yes.

REP. STONE: So I guess my question is, I need your help on this because you're in the industry and we've talked about this in the past.

If you were able to charge your actual acquisition cost, then you'd be able to offer the consumer that same ABC vodka at something less than six dollars.

Now obviously you may charge more than five in order to see some profit, but you could charge less than six, would that be--

STEPHEN DOWNES: Yeah, that's similar to beer though. Right now when you're buying beer it's a the single case and it's actual cost. A lot of times I'm just selling beer at cost.

REP. STONE: I understand, but help me, because I just want to talk about spirits for the moment.

If your per unit cost on that 12 bottle case is five dollars a bottle, under current law, but the posted per bottle price is six dollars a bottle, you can't charge anything less than six dollars a bottle?

STEPHEN DOWNES: No, my minimum price is six dollars.

REP. STONE: Okay. The language in the bill as proposed, and just considered, it is in fact a working draft.

But what's proposed in the language here is that by eliminating the minimum bottle provision and allowing you to sell at your acquisition cost, that you could pass on some of that savings, between six dollars a bottle and your actual cost of five dollars a bottle on this case, pass that on to the consumer.

If that's not true, you've got to help me out.

STEPHEN DOWNES: You can pass that on, but what happens is, nobody will know the cost of acquisition, it'll get confusing on advertising and what price is what.

Right now the way things work, everybody knows the prices of stuff, but most of the time, everybody thinks we have this big built in markup.

We're making sometimes a dollar, you know.

REP. STONE: I'm not suggesting that you have a big built in markup.

STEPHEN DOWNES: Some of the wholesalers can actually, some of the vodkas, there's no minimum, say it's eight dollars, eight dollars to the case, eight dollars to the bottle and we're selling to the bottle.

Certain amount of pricing right now, you get some wholesalers that are pushing products and the retailer will buy it because there's a minimum bottle and they're making money, and then there's some things that there aren't.

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REP. STONE: I'm not suggesting that you have to reduce your price to five dollars a bottle or five fifty a bottle, but at least, wouldn't that give you the opportunity to reduce your price, if you should so choose and to be competitive?

Now we're not talking about jumbo cases on spirits. We're just talking about the case that you probably buy now.

STEPHEN DOWNES: Yeah, but then the person who's buying that single bottle is going to end up paying more.

The bigger stores like myself might do better on that situation, but--

REP. STONE: They're paying the same that they're paying now.

STEPHEN DOWNES: No, because if the smaller store's buying one minimum bottle price, he's going to pay six dollars for the bottle, I'm selling it for five, that's going to hurt the smaller store.

REP. STONE: They can still buy the case though.

STEPHEN DOWNES: Yeah they could, but a lot of small stores still buy by the bottle. There's a lot of items like that that are small volume.

You know, we're a large store, there's a lot of small stores, a lot of medium size stores.

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REP. STONE: Now Steve, your organization is, you're part of a larger group, right?

STEPHEN DOWNES: No, I own Connecticut Beverage Mart in Wallingford and Newington.

REP. STONE: Are you part of the Package Store Association?

STEPHEN DOWNES: Yes, I'm the President of the Package Store Association.

REP. STONE: And how many members are in that?

STEPHEN DOWNES: We have, well different levels of membership from--

REP. STONE: How many package stores are a part of that?

STEPHEN DOWNES: Right now we probably have about 300, and then we have part-time members, so up to 600 people, they donate money to our organization.

REP. STONE: I understand. I understand. I appreciate that, and I appreciate your willingness to enter into that dialogue, because we've talked before about this issue and other issues such as channel pricing and obviously the quantity discount issue, and you've been involved in those discussions.

You've been very candid with us in the past and particularly with the Chairs when we've discussed this as part of that working group that we've had discussing these issues.

But if you should have other response or other written testimony, or would like to speak about the working draft in more detail, you can see me or Senator Colapietro and submit written material as well if you have a comment.

Again, we're not going to be considering this for a little while anyway, so feel free to--

STEPHEN DOWNES: Well thank you for your time.

REP. STONE: Okay, okay, Steve. Thank you for your testimony. Does anyone else have any questions? All set? Thank you, Steve. Thanks for sticking around. Ken Kirsch.

KEN KIRSCH: Mr. Chairman, Members of the Board, my name is Ken Kirsch, I own Discount Wine and Spirit Shop in Hamden, Connecticut.

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I'm a store of about 3,000 square feet with 3,000 square feet of storage. We talk about quantity discounts, I'm against it.

I've been in business for 21 years. We talked earlier, [inaudible] showed displays up here. My name was not on that.

I have 3,000 different items in my store. You talk quantity discount, and if you talk 3,000 items, there's no way that I can afford it, there's no way you can afford it, to buy all those items for quantity discount.

You couldn't afford to buy them and now I've got to take 3,000 items, reduce it to maybe

1,500 items, if that. We can't do it. It's not feasible.

We have a system right now where we all can make a decent living. What you're going to do with the consumer is saving money, by changing posted bottle around, you're confusing me, you're going to confuse the consumer.

We're here to help the consumer also, and by changing the laws and having quantity discount, the consumer's going to pay more.

We're going to pay more in the long run, so is the consumer. And not to repeat what everybody else has said, but I'm just not for the bill.

REP. STONE: Okay. Thanks, Ken. I appreciate your testimony and I appreciate your waiting around and your patience, and your consideration to everyone else who has testified.

Does anyone have any questions of Ken? Thank you, Ken for sticking around. By the way, the fact that we may not have any questions isn't because we don't value your testimony.

It's just because it's been a long day and much of what we may ask has already been answered, and we don't want to waste your time either, so thank you very much for sticking around and for testifying.

Frank Raffa? Is Frank still here?

UNIDENTIFIED SPEAKER: He left for work.

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REP. STONE: Thank you. Is that Raffa's in East Hartford?

UNIDENTIFIED SPEAKER: [inaudible]

REP. STONE: Okay, I'll stop by and talk to Frank. Sharon Flannigan? Jen Kamins?

By the way, each of the sign up sheets, just so everyone knows, has an indication of, oh, you guys all signed up so, has an indication of pro or con so the Committee will certainly take note of that.

Curt Hopkins? Curt, you didn't convince Jen and Sharon and Frank to leave early did you?

CURT HOPKINS: No, I didn't.

REP. STONE: Okay. Thanks for sticking in with us, Curt, and thank you for testifying.

CURT HOPKINS: Members of the Committee, my name is Curt Hopkins. I own Stop and Save Liquors in Newtown. My wife and I are the owners there.

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I guess you could call us one of the small, mom and pop type stores.

We built our business on a large amount of customer service, offering a wide variation of products, and also we feel competitive pricing, our customers seem to feel that way also.

I'm opposed to the bill. Many new provisions seem to have been added, I'm opposed to those also.

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My biggest concern here, and I tend to believe, and I agree with most of the people who said they would not benefit the consumer.

If it doesn't benefit the consumer, I certainly believe that it would not benefit me in my business in any particular area.

Then I have to wonder who it's really going to benefit. We've got a system that seems to work, I don't hear a major clamor out there from the consumer that there's an issue that needs to be solved.

So therefore we've got a system that seems to work. I know it's a cliché, but what are we trying to fix?

REP. STONE: Thank you, Curt, for your testimony. Just if you can, I know you haven't had a lot of time to look at the draft, and it really was a work in progress and it was taking information from a lot of different sources.

So I apologize to you for not getting it out earlier, but as soon as the draft was completed, that's when it went public, it was just this morning.

If you do have comments on the draft or any particular provision of that draft, feel free to share those with myself or Senator Colapietro, either call or you can submit a letter if you like, that's up to you.

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But we won't be hearing this as a Committee, or considering this as a Committee for at least a week or so, so there's still some time.

Does anyone have any questions of Curt? Curt, it's seven o'clock, thanks for sticking around, we appreciate it, and have a safe drive back to Newtown.

Gail Gordon? Is Gail still here? Brett Margroff?

UNIDENTIFIED SPEAKER: [inaudible]

REP. STONE: Okay, thank you. He's not from East Hartford too is he?

UNIDENTIFIED SPEAKER: Gales Ferry.

REP. STONE: I won't be visiting Brett. Is anyone here from Gales Ferry on the Committee? Maybe we can have someone visit.

UNIDENTIFIED SPEAKER: I'm from Groton, does that count?

REP. STONE: Yeah, you can do that. He's indicated opposition to this as well. Is it Chuck Bowe? You all set? Are you Chuck? Oh, you're next, Chuck.

CHUCK BOWE: I'm Chuck Bowe. I currently own two liquor stores in Groton, Connecticut, Grand Spirit Shops one and two.

I am opposed to the quantity discount bill and this whole draft that came about this morning, which I haven't even seen yet.

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I'd love to know where I can get a copy of it. I will produce some remarks and send them off to your office here.

My wife's uncle owns a store in Massachusetts who does participate in quantity discounts and in his opinion, it has raised prices over the past few years.

So I can only imagine that if we begin something like that, it's only the beginning of the end.

As far as the minimum bottle and my perception of the minimum bottle, and I'm new at this game, I've been on the wholesale side in the beer industry for a long time. I'm new at the retail game.

My opinion of that minimum bottle, if you're a small store, which my two stores are not, they're both about 4,000 square feet and we do a sizeable amount of business. If I'm a small store and I buy by the bottle and I wish to compete with a larger store, I know that I can because that larger store cannot sell below that point.

So if Dewars mags are \$36.99 as a minimum, I know at least I can buy it and sell it, and compete with the larger store.

So taking that out of the equation would only put all those little stores at a disadvantage.

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And maybe that's what we're trying to do here. Maybe we're trying to eliminate some smaller stores and just have some big ones.

REP. STONE: In fact what we're trying to do is get all the issues out and give everyone an opportunity to talk about them, or submit testimony on them.

We haven't decided, I haven't anyway, and I'm sure the Committee hasn't--

CHUCK BOWE: No, I'm sure you haven't but I just don't know where some of these things would come into play.

I'm sure no retailer had anything to do with writing this draft, so I'm not sure if it was a large company like Diaego, or if it was wholesaler like Wine Merchants, or a combination of all of them.

But I can only imagine that this will not be good for our business overall, and I'm opposed to all if it.

REP. STONE: All right. Thanks, Chuck, and by the way, we just handed you a draft. That didn't mean that you have to read it right now and respond, but take that with you--

CHUCK BOWE: I'm a speed-reader. It'll take me about three minutes.

REP. STONE: But take that with you and if you do have comments, please feel free to share them with us.

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CHUCK BOWE: Thank you, and I appreciate you staying late and hearing us.

REP. STONE: Well, you guys stayed late too, and we were busy while we were staying late, and I don't know what you had, you missed a day from work, we appreciate your coming out.

CHUCK BOWE: I'll work twice as hard tomorrow.

REP. STONE: Okay, thanks. Paul Agranovitch?

UNIDENTIFIED SPEAKER: He also had to return to work.

REP. STONE: Thank you. Now that ends the, before I go to the lobbyists, is anyone else from the public, Richard Weis already spoke. He spoke with Mr. Rosenburg, they were the two.

Does anyone else from the public want to speak that either didn't sign up by accident, or didn't sign up and now changed their mind?

Moving on to the lobbyist portion on this bill, David Boomer?

DAVID BOOMER: Thank you, Chairman Stone, Chairman Colapietro, Members of the Committee. My name is David Boomer. I'm a registered lobbyist with the Kowalski Group.

I'm here today on behalf of one of our clients, the Distilled Spirits Council of the United States.

They support strongly House Bill 6608 and as an aside, just on behalf of DSCUS, we want to thank you for moving the process along and having a working draft today, circulating a lot of these ideas that we'll be responding to you later, or even if I can answer questions, but moving the process along, we appreciate that very much.

I've submitted earlier testimony from David Wojnar, DSCUS Vice President for State Government Relations.

Now, it's a long day and I'll stand on that. The basic message is modernizing Connecticut's alcohol laws. We support QDs and also the acquisition issue.

REP. STONE: Very good, thank you, David. Does anyone have any questions? David, thank you for sticking around and for your testimony. Peter Berdon?

UNIDENTIFIED SPEAKER: He had to leave.

REP. STONE: Okay, thank you. Carroll Hughes?

CARROLL HUGHES: Thank you, Chairman Stone.

REP. STONE: Before you start, Carroll, I just want to state for the record, from my perspective I want to thank you for working with us and your input on a lot of these issues.

Being here a little longer than I have in terms of an advocate or a lobbyist before the General

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Law Committee, your insight has been very helpful to me, so thank you.

CARROLL HUGHES: I can't find anything in there that I suggested. There's 10 new items in this particular rough draft.

REP. STONE: I hope I didn't mislead anyone. I didn't say there was anything that you suggested.

CARROLL HUGHES: No, I didn't suggest anything, but it was said before that I was suggesting multiple postings of beer?

REP. STONE: No, if I might, what I said was that you had been part of various discussions throughout the last several weeks in which many of these issues, perhaps not all, but many of these issues were discussed. I guess there was one thing in there that you had suggested or your office had suggested [Gap in testimony. Changing from Tape 5B to Tape 6A]

--at certain times.

CARROLL HUGHES: Well some things here were in combination with other things. This particular bill, let me take two items, two or three items here because I think they're the most important.

Split case bottle charge, we're a split case state, period. Everybody buys split cases. The bars buy them, the clubs buy them, the package stores buy them.

They may buy cases, and maybe at Easter they might buy a few cases, they might buy it the white goods in the summer and they buy cases maybe in December.

Mostly, even the larger stores are buying bottles. Anybody can get any bottle they want in a package store today.

They may order two or three bottles, but if you change the split case charge, let me tell you, what is designed here by the manufacturers is to drive havoc into the market where cases are purchased.

Where you no longer buy split case bottles and the choice to the consumer, let me give you a good example because it's St. Patrick's Day coming up next week. You can find in most good stores, you'll find two to three, sometimes four, you go into Steve's store, you'll find four different Irish whiskeys there.

He buys them by the bottles. He has four facings or five facings, whatever you happen to do. It's a great store, people come in, they have their select item.

No longer if you pass this split case bottle where you have to sell at that price and everybody's going to be selling for less.

You won't even know. It's the cheapest price that will drive the other stuff out of business, that's essentially what happens here.

If you follow me on that, it's the lower price, the same thing is true with the multiple pricings of beer, another item to drive havoc into the marketplace.

Because I will get three different deliveries, one on the tenth, one on the eighteenth and one on the twenty-third. The prices will range from \$14 to \$12 to \$16.

Everybody else is doing the same thing. What do you think that case of beer is going to sell for? It's going to sell for \$12, the lowest price, or you're not going to sell it.

You cannot continue to sell at cost and survive in any store, in any kind of business, and package stores are no exception. To some people it's a letting of the market here and they don't care what really happens to the stores, because they're interested more in volume, they're interested in just selling major cases.

But the wholesalers, they have nothing in this bill also, the wine and spirit wholesalers. Their concerned because they feel, you heard the person speak before, tonight they're filling 30,000 bottles at Brescome.

That's one distributor. One distributor is 30,000 a night, this is not even a busy week.

In the summer, it's huge. Christmastime, [inaudible] it's 50,000, 60,000, maybe 70,000

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split cases. That's why you get the variety in Connecticut.

This is designed to drive others out of the marketplace. Manufacturers, by the big companies as well as driving package stores out of business.

You change this fine tuned market and you're going to have undesirable consequences that are going to affect the consumer and going to affect the retail stores, there's no doubt about it.

The channel pricing, give me a break on that. We're going to charge the VFW, the Irish Club and all the other places more money to give the retail package store a discount, or the food stores.

Grace doesn't support that I don't think, and I don't support that. It's a nice trick if you can get it, but it's not the way to do things.

I think you'd have a major equal protection issue there also with the commerce clause and with the fourteenth. But I think that's the problem we've got here.

People have thrown everything in there to design, to throw and shake everything up and create chaos in this marketplace, and effectively, it would do it.

People would not know what to charge, unfortunately.

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REP. STONE: Thank you, Carroll, for that testimony. There are some things that you were kind enough to share with us, some suggestions on language which we have incorporated into the bill.

One of them appears, I don't know if you have a copy of the bill in front of you, but page tree of 10, lines 87 through 97, we did receive something from your office in which you wanted to eliminate the look back posting, I call it.

Where once you post, you're posted forever. You know, you don't get to look back and look at a competitor's price. Do you remember that?

CARROLL HUGHES: Oh, yeah, okay.

REP. STONE: That was something your office suggested that we did include in the bill. I'm not suggesting it's going to stay or not stay.

CARROLL HUGHES: It's becoming less and less of an issue. The pressure is on the wholesalers by Diageo and others to consolidate brands in one house.

So the marketplace is doing things that you have no control over at this point.

So the squeezing of the market by the major manufacturers is a factor there that makes that not as important as it once used to be.

REP. STONE: You gave it to us on February 18th, and so since that time it's less important?

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CARROLL HUGHES: No, I'm just saying it's less important period because of consolidation, that's all.

REP. STONE: I didn't know if something had happened between then and now.

CARROLL HUGHES: You guys didn't give us an opportunity to elaborate on too many of these things.

REP. STONE: No, I just want to go through what's in there that you had suggested, that's all. I want to make sure if you have a different position than those, I'd like to hear that.

The other thing that you had suggested was the, appears on lines 275 to 277, it talks about the wholesaler being able to add a delivery charge of five percent on all orders of beer of less than five cases.

Is that still the position?

CARROLL HUGHES: Actually what we had suggested wasn't, it came out to five percent. We suggested that it was a handling charge. They have the ability to do that now and it's now five percent.

REP. STONE: In your transmittal to us of February eighteenth, it said there's an addition to Section 30-64a of our statutes, and provides, except that, I'll quote from your document.

Except that a wholesaler shall add a delivery charge of five percent of the case to all orders of beer less than five cases.

So we've added that, and I just wanted to make sure that that's still the position of--

CARROLL HUGHES: No, everything was tied to something that was in there originally, and there's new items in here, and we're now opposed to that, as I am to channel pricing.

REP. STONE: No, I understand that, but even if you take the original bill. Let's take off the working draft for example.

The original bill, which just had to do with the definition of a case, the 75 liters for wine, the 125 for beer, you had asked us to add certain things.

One of the things you wanted us to add was the elimination of the look back, of the three-day period in which you can lower your price.

The second thing you asked us to add was this delivery charge of five percent of the case to all orders of beer less than five cases.

And I understood that to be a position of the CPSA. Is that still--

CARROLL HUGHES: It was tied together with the other items that were being discussed at the time.

REP. STONE: Right, and that was, I understand that, but that was part of the QD analysis.

CARROLL HUGHES: There were no multiple postings in the bill originally. There were no items of that type that were in there. Channel pricing was just being spoken about.

Like I said, everything is related to everything else here.

REP. STONE: No, I understand that, but you started your comments with there's nothing in the bill that we've asked for.

CARROLL HUGHES: No, there's nothing in the bill that helps us, I can say that.

REP. STONE: Well, that's not what you said, but that's okay. It doesn't matter. I just really want to get the position of the CPSA.

CARROLL HUGHES: We are both opposed to any and all of that now. It's not turned out the right way here.

REP. STONE: All right. It is your language. The last thing that you asked us to provide for in your proposal to us was, the ability to provide for a one percent discount to be provided by the wholesaler for payment received within a certain period of time.

CARROLL HUGHES: Yeah, cash discount on certain size orders of whatever type--

REP. STONE: Do you want to keep that? Is that something you're still--

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CARROLL HUGHES: Well I think originally when we were talking all about this, everybody was kind of together with regard to things, but that situation has changed dramatically as of this morning at 10:30 when we received this draft.

REP. STONE: Well when you say all together on these things, let's assume, by the way, this is a work in progress and there may be some things, we may do nothing.

We may go back to the original proposal, the original bill, which wouldn't contain channel pricing or multiple posting or cost of acquisition, and just deal with the quantity discount issue.

And I think that's what, in fairness to you, Carroll, that's what this memo to us was in response to.

CARROLL HUGHES: It was in response to everything.

REP. STONE: If you're going to do that, let's do this. So if all we do is what was in the original bill, which House Bill 6608, if that's all we do--

CARROLL HUGHES: Well we've always been opposed to quantity discounts, so I don't understand what you--

REP. STONE: I understand that. You gave us language, in part, in response, and I thought that it was language that if we did House Bill 6608, as originally drafted, you wanted to add these provisions.

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Is that accurate or not or not accurate?

CARROLL HUGHES: It's accurate with a number of other provisions that were being discussed at the time, in that meeting we had with you.

REP. STONE: Okay, what were those?

CARROLL HUGHES: There were, let me see, of your 10 items in this bill, there was channel pricing, you were going to charge different prices to on premise as opposed to off premise, that was one of the issues that you were going to deal with.

And I can say most importantly of anything, split case bottle was never, ever in that particular bill.

REP. STONE: I know it wasn't in the bill.

CARROLL HUGHES: That came in through you.

REP. STONE: I know it wasn't in the bill. You don't know where it came from.

CARROLL HUGHES: It came from you, you suggested it, I don't know where it came from other than you. Am I wrong?

REP. STONE: No, let's get to, you've made suggestions to the Committee, you've taken the time to provide the Committee with revisions to our existing laws.

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You've asked on behalf of your client that you be given the opportunity to testify and to provide us written material.

You provided us written material, and I'm asking you, and you gave this to us on February 18, 2005, and that was prior to the working draft being distributed, so I concede that.

Are those proposals that you gave to us on behalf of the Connecticut Package Store Association--

CARROLL HUGHES: How can I answer those? You'd have to tell me what's going to be left in here. An issue, you've got elimination of wholesale territories in there also, another item you have.

REP. STONE: Yes, it is.

CARROLL HUGHES: I don't know what's staying together here. It's like you ask me to give mine up, and the way it looks in here, my election's what's being eaten here--

REP. STONE: I'm not asking you to give anything up. Quite to the contrary, I'm asking you, and we could talk about this privately but, I'm asking you, assuming we take all that other stuff out.

We don't do the territory, we don't do channel pricing, we don't do split cases, we don't do acquisition, all that's gone.

And all we have left is House Bill 6608, as originally drafted, all right?

In which I understood this proposals, you asked to be made part of House Bill 6608 if we were going to do anything.

CARROLL HUGHES: If you were going to do anything collectively with other items that you had mentioned during the meeting, and also at the same time, items that we had mentioned, or that were mentioned there.

I think we mentioned affirmation also with the manufacturers, the beer manufacturers, with the surrounding states. That's not in there.

That was tied together with other things that were in there.

REP. STONE: So when we asked you to get us language, you just got us language on part of what you wanted, but not the whole of what you wanted.

CARROLL HUGHES: We were hard pressed to know what you were going to put into that draft document and hand out this morning.

REP. STONE: This has nothing to do with the handout this morning.

CARROLL HUGHES: It sure does.

REP. STONE: Nothing to do with the handout this morning.

CARROLL HUGHES: It sure does.

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REP. STONE: You and I can talk about this. Does anyone have any other questions of Mr. Hughes? Thank you for your testimony. Joe Luppino?
Hi, Joe.

JOE LUPPINO: Hello. Thank you all for your patience with the hour being what it is. I did have some written testimony. I will be sure to submit it to the Committee.

But I did frankly just want to take a couple of minutes and speak to a couple of things that have been said during the course of the last couple hours' testimony.

I think it's important to clear a couple of things up, but again, thank you for giving me the opportunity to do so.

One thing I think is important to acknowledge on my end of the equation, with the exception of one other gentleman who's also in the supplier side of the business, I'm one of two people in the room on these issues today that's actually involved in this business anywhere outside the State of Connecticut.

In some ways we should probably care the least about what happens here, and frankly what we sell and whether we sell it here or we sell it in New York or Massachusetts or Rhode Island.

But we are interested because we want to keep Connecticut's wholesale and retail business whole. That's what we're trying to do.

We're not going to make any more money if House Bill 6608 passes in its original form, in its amended form, or in any other form.

We'll make the same money that we're making now, because we'll make the sale in Massachusetts, Rhode Island, New York or Connecticut, wherever that sale is going to be made.

I wanted to speak to a couple of things that were raised by some of the other folks that testified, I think it's important at least to give another perspective on that, for the benefit of the people on the Committee.

One gentleman, who is a package store owner spoke about Seagram VO and Captain Morgan being on deal. Those are two of our brands, so I can speak very comfortably to them.

He spoke about saving \$24 a case. He said he bought out until April and June, I'll say respectively on those brands, because we were reducing our price to retail.

The problem there is that consumers are going to see none of those savings. That's why we want cost of acquisition.

Because he's buying out four months and the consumers aren't seeing any of the benefit of the \$24 per case saving that he was able to save.

He also spoke about the fact that he was a small retailer, and he's buying those kinds of

volumes, and I'd just like to know where he's putting them.

If he's talking about the fact that they can't store the stuff, that they need to try to buy if we're going to do quantity discounts or anything else.

Another gentleman spoke about the loss of choice, or the lack of choice if you go to quantity discounts or case one or anything else.

And I have one page out of the February Connecticut Beverage Journal in my folder, and it's not even easy to read so I'm not even going to give you a copy of it.

But I just looked at it real quick because it is just one page, but it's a pretty interesting representative sample if you think about the lack of choice that you're going to talk about.

In February, vodka brands on special in Connecticut, Blue Lightning, Boston Reba, Burnett's, Fleischman's, Gordon's, Comcatcha, Majestic Royal, Popov, Rikolov, Romanoff, Schendly, Seagram, Smirnoff, that's one of ours, Cirac, Armondale, Carmel, Finglandia, Gray Goose, Kettle One, all on special.

One page of the vodkas, that many of them are on special last month. So let's not talk about the fact that if you have quantity discounting that there's not going to be selection.

392
ngw

GENERAL LAW

March 10, 2005

REP. STONE: Could I ask you to wrap up, Joe? The buzzer went off so--

JOE LUPPINO: I have other things I will share them with the Committee.

REP. STONE: Okay, thank you, Joe. Does anyone have any questions of Joe? Thank you very much, Joe for your testimony. Joe, do you have written testimony that you've submitted?

JOE LUPPINO: [inaudible]

REP. STONE: For fear of an affirmative answer, does anyone out there, lobbyist or otherwise have anything else they'd like on this issue?

Going once, anyone come back from work that needs to--

Thank you very much for your testimony, for your patience, and the Committee will certainly take all your comments into consideration. Thank you.

[Whereupon, the hearing was adjourned.]



STATE OF CONNECTICUT

DEPARTMENT OF CONSUMER PROTECTION

001915

TESTIMONY OF
DEPARTMENT OF CONSUMER PROTECTION COMMISSIONER
EDWIN R. RODRIGUEZ

PRESENTED TO THE GENERAL LAW COMMITTEE

March 10, 2005

Good morning, Senator Colapietro, Representative Stone, and esteemed members of the Committee. I am Edwin R. Rodriguez, Commissioner of the Department of Consumer Protection. The Department appreciates the opportunity to present testimony before you concerning several bills of concern to our Department and the consumers of Connecticut. These are Senate Bill 1255, House Bill 6269, House Bill 6857, and House Bill 6858.

Senate Bill 1255

AN ACT CONCERNING CONTINUING EDUCATION REQUIREMENTS FOR CERTAIN OCCUPATIONAL LICENSEES

The Department of Consumer Protection supports continuing education as a matter of public policy. When we issue a license, we are sending a message to the citizens of Connecticut that a person holds a certain level of competency in their occupation. This is a matter of safety, and we feel strongly that the public is better protected when licensees receive up to date information related to changes in the building codes, Federal Occupational Safety and Health Administration rules, fire codes, and new building materials and techniques.

For the plumbing trade, the frequency of classes is the main issue of concern. We can address this issue, as well as the actual content of the classes, through changes in our regulations. The Department already has authority to issue a final approval of curriculum and to qualify instructors to teach the classes.

No change in the statute is necessary to accomplish these changes, and we would work with the industries and our Boards and Commissions to modify the continuing education requirements to better suit the needs of the licensees. We hope to provide more flexibility in the classes that are acceptable to the Department by including courses given by the State of Connecticut Department of Public Safety, trade groups, and manufacturers of new equipment or materials. We would be open to allowing a maximum number of hours of classes to be set by statute, given that the Department would have the flexibility to require additional hours of classes as special circumstances arose.

House Bill 6269

AN ACT ESTABLISHING LICENSURE REQUIREMENTS FOR GAS HEARTH INSTALLERS

The Department does not support this Bill. It would create a limited license in an area that is well serviced by other licensees. These include numerous heating licensees, such as the G-1 Burner Contractor and G-2 Burner Journeyperson as well as other "S" and "B" oil and gas type licensees.

House Bill 6857AN ACT EXEMPTING CURRENTLY LICENSED ELECTRICIANS AND PLUMBERS FROM CONTINUING EDUCATION REQUIREMENTS

Again, I reiterate that the Department of Consumer Protection supports continuing education as a matter of public policy. Due to this fact, we cannot support House Bill 6857. The issuance of a license tells the citizens of Connecticut that a person is competent to perform their job. As stated in my comments to Senate Bill 1255, continuing education is a matter of safety and the public is better protected when licensees receive up to date information relevant to their trade.

My Department has taken part in several discussions with individuals and groups interested in the topic of continuing education. From these discussions and the volume of correspondence I have received, the overwhelming indication I have received as Commissioner is that electricians and plumbers strongly favor continuing education classes.

Flexibility in our regulatory authority is an asset, because important issues of public safety and health can arise in both of these occupations. By way of example, there were recent concerns about the use of lead in plumbing, as well as many changes in the newest electrical code. As a Department, we need to make sure that our licensees and the public at large are protected from harm. Keeping the licensees abreast of changes in their profession is essential to accomplishing this mission. Due to the above reasons, we urge the Committee to not allow this Bill to go forward.

House Bill 6858AN ACT CONCERNING THE LICENSING OF ELECTRICIANS WHO ARE CURRENTLY LICENSED IN OTHER STATES OR A COMMONWEALTH OR TERRITORY OF THE UNITED STATES

This issue is already addressed in Connecticut General Statutes Section 20-333a. We wish to apply the testing and educational requirements equally to all persons engaged in the electrical trades in our State. If an electrician's training and educational requirements were equal to or better than those of their Connecticut licensed counterparts, we would have no exception to issuance of a license to such a person.

As listed in Section 20-333a, license fees would be the same for reciprocal applicants. Also, continuing education requirements would have to be met to the satisfaction of the Department, regardless of the physical location of the licensee, as stated in Section 20-335.

As such, the Department does not feel the need for this reciprocity Bill. The only hindrance in the current statutory scheme is the requirement that the Commissioner receive the advice and consent of the appropriate Board. To date, none of our boards has provided the necessary consent, so the intent of Section 20-333a has not been implemented. A minor change in wording of this Section would provide for the reciprocity as contemplated in House Bill 6858. We only ask for the removal of the words "and consent" from Section 20-333a.

Conclusion

I thank you for the opportunity to address the Committee. If the members of the Committee have additional questions, they may contact my office or our Legislative Liaison, Attorney Jerry P. Padula.

Electrical Contractors, Inc.

001917

STATE LIC. #102800, #103327
3510 MAIN ST. HARTFORD, CONNECTICUT 06120
(860) 549-2822 FAX (860) 549-7948
E.O.E. M/F
e-mail: Info@ECIncorporated.com

My name is James Nasuta. I am the Safety Officer and Project Manager of Electrical Contractors, Inc., which is an electrical contractor in Hartford, Connecticut. I have been employed by Electrical Contractors Inc. for over 25 years; my jobs include safety training and manpower coordination for around 110 field employees at ECI.

I am submitting testimony today to **oppose SB-1255 and HB-6857**, which would repeal or reduce continuing education requirements for electricians.

Continuing education for electricians is clearly a safety issue. Faulty electrical wires and improper grounding of wires have caused fires that have destroyed homes and taken lives. By ensuring that licensed electricians are required to maintain the highest possible level of safety and training, continuing education helps prevent tragedies.

Continuing education for electricians protects workers. Under the current law, continuing education must include information on construction safety; which is a big step forward for our workplace safety and health because safety education training is the most effective way to reduce loss of life and injuries to workers.

The vast majority of states, including our neighboring states, have adopted continuing education for electricians. Working for a company that works in our neighboring states, with a work force licensed in multiple states it is important to have the same training requirements.

As someone who handles the training of employees I see first hand the importance of continued education for electricians and for these reasons, I urge lawmakers to oppose SB-1255 and HB-6857.

Thank you,

James Nasuta

Testimony of David E. Wojnar
Vice President for State Government Relations
Distilled Spirits Council of the United States
in support of

HB 6608, An Act Concerning The Definition Of A Case Of Wine
And A Case Of Beer For Quantity Discounts

General Law Committee
March 10, 2005

Senator Colapietro, Representative Stone and Members of the General Law Committee, I am writing to you on behalf of the Distilled Spirits Council of the United States, a national trade association representing the makers and marketers of distilled spirits sold in the United States, in favor of allowing quantity discounts and removing the minimum bottle pricing scheme in Connecticut. HB 6608, An Act Concerning The Definition Of A Case Of Wine And A Case Of Beer For Quantity Discounts, is designed to give package store owners the ability to pass along their savings from quantity purchases to the consumer and to sell and price our products based on their acquisition price instead of the minimum bottle price currently in place. Retailers often purchase distilled spirits in single case quantities from the wholesalers who may offer lower per bottle prices as an incentive to the retailer. Despite receiving these discounts, which is an accepted industry practice, retailers are unable to pass along their savings to the consumer. This restriction prevents price competition amongst retailers, artificially inflates prices and ultimately hurts the consumer. By removing the minimum pricing requirement, retailers will be free to adjust prices based on the discounts they receive and pass along those savings to the consumer if they so desire.

Unfortunately, Connecticut has some of the most restrictive anti-consumer alcohol laws in the country. While surrounding states are taking giant steps to modernize their beverage alcohol laws, Connecticut remains saddled with antiquated laws that are hurting the consumer. By allowing quantity discounts and removing the minimum pricing law, Connecticut retailers will be free to offer better prices to its consumers and encourage Connecticut residents to purchase their beverage alcohol in state. Please support this legislation so Connecticut retailers will have the ability to provide better prices to their customers and compete with its border states.

March 10, 2005

Steven Snyder
279 Robbins Avenue
Newington, CT 06111

To: Members of the General Law Committee
RE: I oppose HB 6608, AN ACT CONCERNING THE DEFINITION OF A CASE
OF WINE AND A CASE OF BEER FOR QUANTITY DISCOUNTS.

Dear Madame or Sir:

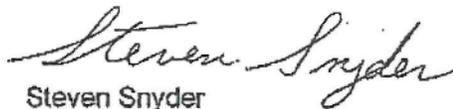
I am an employee of Rogo Distributors and I am also the Shop Steward of Teamsters Local 1035. My job is to deliver beer to retail customers.

I am opposed to quantity discounts for beer. For quantity discounts to provide additional savings to our retailers and the consumers, I believe that Rogo Distributors would have to reduce their delivery costs.

In our union contract, we are paid by the case. There is no savings to the company to sell 15 cases of the same item or 3 cases of 5 different items.

In my opinion, if Rogo Distributors is forced to reduce costs to create new discounts, they will have to eventually cut employees, and that will be at the expense of my Teamster brothers. Please help to protect good union jobs by opposing quantity discounts.

Sincerely,


Steven Snyder

Testimony of Alan Wilensky
Representing the Connecticut Package Stores Association

My name is Alan Wilensky. I am the first vice-president of the Connecticut Package Stores Association and I own Max's Package Store in East Lyme, CT, and a store that has been in my family since 1946. I am here to speak in opposition to bill 6608.

I have done something today that those of you who know me, know I don't normally do. I have provided and am reading from prepared testimony. I am doing this because I believe that this is a watershed issue for the Connecticut retailers. This is one of the few issues, which we are drawing a line in the sand and standing firmly on because we believe so strongly in the cause. Just as the beer wholesalers would fight to the death to preserve exclusive franchised territories, this is one of the few "fight to the end" issues for retailers.

We, the retailers, are opposed to this bill because it is anti-consumer and anti-small business. It will raise, not lower, consumer prices while at the same time increase overhead and put many retailers out of business. When retailers are placed in a detrimental financial and purchasing situation, it is bad for business and ultimately bad for the consumer.

Connecticut is already a quantity discount state. Our discount extends not to 5, 10, 25 or 50 case quantities, but is extended down to case one. As you can see from the pricing matrix that I have included with my testimony, in virtually every instance in the comparison of Connecticut pricing vs. Massachusetts, our 1 case price is lower than the greatest discount offered. For example, I would need to purchase 68 cases of a famous name white zinfandel in order to achieve the price that I receive on my 1 case purchase.

As in any business transaction that provides for a lower price when one is purchasing a greater quantity of goods, the one case price must go up. The small buyer always subsidizes the large buyer.

What does this mean to the consumer? As a retailer, I can purchase at the lowest price right now. In a quantity discount scenario, I must purchase a much greater quantity of product in order to achieve what I already get now. Investing more money per product limits my "open-to-buy" (available money) for me to expand my breadth of inventory. Therefore I am unable to carry the variety of products that I now carry. – CONSUMER LOSES.

If I choose to attempt to maintain the breadth of my inventory, I could not possibly invest the necessary money in order to reach the lower/lowest price points that I can now achieve at case one. By now being forced to pay the inflated front line price for more items, the retail price is similarly elevated to a higher figure. – CONSUMER LOSES.

Today I can purchase the exact amount of product that I need. The decision is in my hands. With quantity discounts, the purchasing decision moves to the manufacturer and the wholesaler. For instance, I need five cases of a product to get me to the next time the product is on sale but the price discount is on ten cases. I must now buy twice as much inventory as I need. Increased overhead and increased carrying costs of inventory results in higher prices. – CONSUMER LOSES.

Ours is an industry of concerned, responsible small business owners, many of whom have been in business since prohibition. I myself own a store that started business in 1946. I have become very familiar with the statutes and regulations governing the retail liquor stores. These complex series of laws have historical reasons and manifestations for their existence. They are sometimes convoluted and intricate but each has a reason for being there and changing one of them usually sets off a cascading chain of events that usually makes things worse. This is the law of unintended consequences. This is precisely what has brought us here today. What some in the industry, including myself, thought was a simple change in law to make some very expensive products more accessible to the marketplace by

lowering the number of bottles in a case, has been corrupted and manipulated to such a point where we have to put a genie back in the bottle.

This proposed bill only needs to address one thing – how many metric bottles come in a case. The answer to that is simple: 6-1.75 liter bottles, 12-1 liter bottles, 12-750 ml. bottles, 6-1.5 liter bottles. That is how manufacturers package their product. The current statutes 30-63, 30-68(k), 30-94 and regulation 30-6-A29 all prohibit the illegal practice that brings us here today.

Bill 6608 sets a new definition of how large a case can be by setting a maximum case volume content for beer and wine. [125 liters equals 14.67 cases of 12-ounce cans or bottles of beer, and 75 liters equals 8.33 cases of 750 ml bottles of wine.] This would only magnify the problem if this new large volume case becomes the base unit for a volume discount. Nothing in this proposed statute establishes this as the greatest quantity that can be discounted.

In addition, there is a change to the section on definition of cost. Retailers in Connecticut are prohibited from selling below cost. Historically, it has been such that beverage alcohol not be a product that becomes a loss-leader. In short, cost is defined as the wholesale price charged when buying a single bottle. 6608 redefines this to be the cost of acquisition. Which cost of acquisition? – Single bottle, single case or volume discount price? Today's definition allows all retailers a level playing field with only one cost defined and this market condition becomes self-policing. A market that allows three or more variations on cost would throw the industry into turmoil and would result in retailers losing money in order to keep pace with a larger competitor. This is not how the beverage alcohol industry should be overseen. This product needs controls, we all agree about that. We do not sell milk; we sell a regulated product that needs better controls than this.

Distilled spirits have been excluded from this statute and although I understand that DISCUS (Distilled Spirits Council of the United States) received the "cost of acquisition" paragraph, (lines 156-159) re-defining cost, as their benefit; I assure you that DISCUS will be back claiming a competitive disadvantage and asking to be included in the ability to participate with their products in discounting. Then products costing hundreds of dollars per case become included in the cost and expense factors of what I have been describing.

The raised bill is one-sided, skewed to the manufacturer and wholesaler. Yet the retailer and ultimately the consumer are the ones who pay the price. There is no mention of cooperative buying to allow several retailers the ability to mitigate the increased purchasing requirements, no mention of an increase in payment terms in order to better afford the increased invoice amounts and no mention of eliminating lines 67-77 within Sec. 30-63(c) to provide more competition at the manufacturer and wholesaler pricing levels.

What brings us here today is the illegal behavior of one renegade wholesaler. The one other wholesaler who had participated in this illegal practice stopped doing it and was fined by the Department of Liquor Control. But this one wholesaler still persists and the Liquor Commission does nothing. The Wine & Spirits Wholesalers of Connecticut and the Connecticut retailers are together on this issue and against 6608. So on one hand there are 1100 retailers and some 30 wholesalers obeying the law while one lone wholesaler flagrantly violates the law attempting to legalize their violative behavior at the expense of the entire industry.

The retailers of the state of Connecticut are smart business people. We have gone into business here fully aware of all of the laws and we do business under those parameters. If we thought that we were in a competitive disadvantage because of wholesale pricing, days of sale, hours of sale or other alleged negative market conditions, we the retailers would be the first ones here at the General Law committee fighting for redress. The industry is not broken; it doesn't need to be fixed.

<u>Brand</u>	<u>MA. Price / # of cases</u>	<u>CT's 1 case</u>
Carlo Rossi 1.5 ltr *	36.00 32.00 (5 cs) 30.00 (30 cs) 27.96 (70 cs)	29.96
Turning Leaf 1.5ltr*	75.00 68.50 (5 cs)	57.54
Black Swan 1.5ltr*	68.00 58.50 (5 cs)	54.00
750 ml	68.00 60.00 (5 cs)	48.00
Clos Du Bois Chard 750	132.00 120.00 (3 cs) 76.00 (50 cs)	83.00
Beringer Stone Cellars 1.5	77.00 74.00 (3 cs) 56.00 (5 cs)	49.46
Beringer White Zin 750 ml	70.00 63.00 (3 cs) 46.80 (68 cs) (2pk)	47.92

Almaden 1.5 ltr	31.94	24.46
	28.94 (5 cs)	
	27.94 (10 cs)	
	25.94 (25 cs)	
5 ltr box	39.96	30.64
	35.96 (5 cs)	
	31.96 (10 cs)	
	29.96 (15 cs)	
Woodbridge 1.5 ltr	75.00	52.44
	72.00 (3 cs)	
	68.00 (10 cs)	
	65.00 (25 cs)	
Sutter Home White Zin 1.5	48.00	40.48
	42.00 (3 cs)	
	39.00 (10 cs)	
	36.30 (25 cs)	
Absolut Vodka 1.75 ltr	206.95	159.46
	200.95 (5 cs)	
	191.90 (10 cs)	
	179.90 (25 cs)	
Popov Vodka 1.75 ltr	79.94	66.46
	77.74 (3 cs)	
	73.94 (5 cs)	
	65.94 (10 cs)	

001973

Jack Daniels 750 ml	209.30	199.92
	197.30 (3 cs)	
	191.30 (10 cs)	
Dewars Scotch 1.75 ltr	221.94	191.46
	212.94 (5 cs)	
	203.94 (10 cs)	
	191.94 (25 cs)	
Jim Beam Bourbon 1.75 ltr	147.00	123.46
	136.20 (2 cs)	
	130.20 (10 cs)	
Bacardi Rum 1.75 ltr	122.94	107.46
	116.94 (5 cs)	
	113.94 (10 cs)	
	100.94 (25 cs)	

CONNECTICUT GENERAL ASSEMBLY
GENERAL LAWS COMMITTEE
HEARING ON HOUSE BILL 6608 – AN ACT CONCERNING THE
DEFINITION OF A CASE OF WINE AND A CASE OF BEER FOR
QUANTITY DISCOUNTS
MARCH 10, 2005

Submitted by Joseph Luppino
Director, State Government Relations – Diageo North America

Chairman Colapietro, Chairman Stone, Vice Chairmen LeBeau and Mazurek, members of the Committee --- good morning --- my name is Joseph Luppino, I am the Director of State Government Relations for Diageo North America whose corporate headquarters are based in Fairfield County, Connecticut.

Diageo is the world's largest producer of adult beverages with brands like Smirnoff vodka, Guinness beer, Crown Royal Canadian whiskey, Sterling Vineyards wine and Baileys Irish Cream liqueur. We do business all across the United States and all across the globe.

We are also one of the larger private employers in Fairfield County, where we employ more than 700 people.

I am here today to speak with you about HB 6608 and urge you to support its provisions related to quantity discounts for beer and wine and also to ask you to support its provisions to allow retail prices to be set based upon a retailer's "cost of acquisition" for distilled spirits.

Right now, CT state law requires all retailers to sell at a "minimum bottle price" that has little or nothing to do with what a retailer may have actually paid for a particular bottle of distilled spirits.

No such formula exists anywhere else within the 12-state region that I work --- nor anywhere else in the US that I have been able to determine.

Ultimately though, it is costly to CT consumers --- who are losing out on better retail prices --- and the State of CT --- which is losing sales and excise tax revenue on lost sales to surrounding states.

“Cost of Acquisition” will merely allow a retailer to sell at a price more closely aligned to what he or she actually paid for a product. *It does not allow a retailer to sell for below cost and it does not force a retailer to buy in multiple-case quantities in order to get a better retail price.*

It merely will allow a retailer to decide the profit margin he or she is willing to take on a particular product --- instead having to sell everything at a “minimum” bottle price that costs CT residents more money than they should otherwise have to pay.

By means of example, I would request members of the committee to look at the last page of my testimony.

It highlights the prices of this month’s distilled spirits specials at Yankee Spirits, a Massachusetts retailer who advertises regularly in CT newspapers and who is known for wooing consumers across the border to shop.

As you can see, if the state were to allow a retailer to sell based upon his or her actual “Cost of Acquisition,” he or she could readily compete with the prices that Yankee Spirits is using to take business out of this state ***IF THAT RETAILER CHOOSES TO DO SO.***

If a retailer did not feel that they wanted -- or needed -- to sell at a more competitive retail price, he or she would not be compelled to do so.

Like now, any retailer could set his or her retail price as HIGH as the local market will bear.

And, like now, no retailer could set his or her retail price any LOWER than what it costs to actually buy the product.

Small retailers would not be "disadvantaged" because they can't afford to buy at a quantity sufficient enough to get the reduced price --- the reduced price is already there.

Lower prices on spirits start no higher than on the first case --- 6 or 12 bottles --- and often start even on the first bottle --- purchased from a wholesaler.

"Cost of Acquisition" will finally bring lower retail prices to CT consumers --- and, it is fair to retailers because it continues to allow them to decide how much above *their* cost *they* wish to charge their customers.

Thank you.



508-497-2221
Route 10
Sturbridge, MA

508-497-5860
Route 1 South
Attleboro, MA

This month's specials!!!!

<u>Product</u>	<u>Yankee Price - MA</u>	<u>Cost of Acquisition in CT</u>	<u>CT Minimum Bottle</u>
Kahlua Liqueur 750ml	\$13.99	\$12.45	\$14.99
Bacardi Light Rum 1.75l	\$17.99	\$16.58	\$19.99
Jim Beam Whiskey 1.75l	\$16.99	\$19.58	\$23.99
Canadian Mist Whisky 1.75l	\$13.99	\$12.41	\$14.99

001978

Hartley & Parker Limited, Inc.

100 BROWNING STREET, STRATFORD, CT 06615

IMPORTERS AND DISTRIBUTORS

March 10, 2005 *Choice Wines and Liquors -*

Return All Correspondence To:
P.O. BOX 742
BRIDGEPORT, CT 06601
TELEPHONE (203) 375-5671
FAX (203) 378-1463

OPPOSE HB 6608

An act concerning the definition of a case of wine and a case of beer for quantity discounts.

Dear Committee Members;

I am the Vice President of Hartley & Parker Ltd. Inc, a statewide wholesaler of wine & spirits in the State of Connecticut since 1941. We currently employ about 145 people who live all over the state.

I oppose HB 6608 for the following reasons:

1. Quantity discounts will put retailers of all sizes out of business. Those who do not have the financial resources or the space will be at a big disadvantage. "Disadvantage" is a relative term. Large national retailers, currently not prominent in Connecticut, have the potential to put even medium to large retailers out of business because these mega-stores can sell a limited number of items at or near cost.
2. These discounts which are discriminatory and exclusionary are only viable to the big selling national brands. All other brands would be at a disadvantage because the retailer's money and space would be tied up on only the leading brands in each category.
3. Current Connecticut law allows retailers and restaurateurs to buy at "a case one price" and receive the maximum discount on a single case purchase. This discount is often better than the best discount in surrounding states like Massachusetts (see addendum).
4. This exclusionary discount will not reduce the price to the Connecticut consumer because the retailer and restaurateurs are now getting the best discount on a single case.

Please oppose HB 6608 because it offers no advantage to the state of Connecticut. In addition to the disadvantages listed above, there will also be a loss of jobs and revenue from reduced licensees.

Sincerely;


Jerry Rosenberg
Vice President

IN OPPOSITION TO HB 6608

Based on Feb-March 2005 Beverage Journal

* () Lowest reflecting price

Item	Size/CS Pk	No Discount		Lowest Discount		Mass BJ Pg Ref #
		Conn case	Mass case	Conn case	Mass case requirement	
Woodbridge Chard	1.5/6	65.44	75.00	52.44	65.00 25 cs	206
""	750/12	71.88	77.00	63.38	67.00 25 cs	206
Blackstone Merlot	1.5/6	107.46	102.00	79.92	86.00 10 cs	376
""		(82.46)				
""	750/12	106.92	104.00	79.92	88.00 10 cs	376
		*(89.92)				
Kendall Jackson Chard	750/12	130.92	128.00	103.92	108.00 15 cs	209
Yellow Tail Chard	1.5/6	63.92	72.00	51.92	54.00 25 cs	325
Cavit Pint Grigio	1.5/6	76.98	76.00	56.98	60.00 15 cs	272
""		*(60.98)				
""	750/*12	93.96	88.00	70.96	80.00 15 cs	272
		*(70.96)				
Ballatore Spumante	750/12	70.92	72.00	57.60	64.00 5 cs	136
Andre Champagne	750/12	42.84	44.00	38.28	40.00 30 cs	136
Tisdale Cabernet	750/12	39.84	48.00	31.92	42.00 5 cs	130
Absolut Vodka	1.75/6	191.46	214.74	161.46	187.74 25 cs	197 (Feb)
Dewars	1.75/6	221.46	227.94	191.46	197.94 25 cs	195
Bacardi	1.75/6	119.46	128.94	107.46	113.94 50 cs	291
Jim Beam	1.75/6	143.46	152.92	123.46	131.92 25 cs	196
Smirnoff	1.75/6	131.46	133.14	99.46	113.94 50 cs	198
Coors Light	12oz/30pk	18.99	19.89	17.49	18.49 95 cs	



BRESCOME • BARTON •
STERLING VINTNERS • GRAND VIN
P.O. BOX 481
69 DEFCO PARK ROAD
NORTH HAVEN, CONN. 06473
TELEPHONE (203) 239-4901 • FAX (203) 234-9951

March 10, 2005

The General Law Committee
Legislative Office Building
Hartford, Connecticut

To the General Law Committee:

**Re: Opposition to HB 6608. AN ACT CONCERNING THE DEFINITION OF A
CASE OF WINE AND A CASE OF BEER FOR QUANTITY DISCOUNTS**

As the President and CEO of Brescome Barton, Inc., the state's largest spirits and wine distributor, I find it necessary to write to the committee about my concerns dealing with the topic of quantity discounts.

Our company's opposition to HB 6608. AN ACT CONCERNING THE DEFINITION OF A CASE OF WINE AND A CASE OF BEER FOR QUANTITY DISCOUNTS is based upon the history of our industry in the state, our current pricing system, and the negative impact a quantity discount system would have in the marketplace.

Historically, our industry has consisted of a great cross section of retailers-big, warehouse stores, good medium sized stores, as well as small 'mom and pop' neighborhood stores. What has worked and been successful in the state has been that our pricing system-our 'post offs'- has been as effective for the big retailer as it has been for the smaller ones. Our post off patterns, as established by the wholesaler in conjunction with our suppliers, are actually better than quantity discounts offered in other markets. For example, one of our leading California wine products, Estancia Cabernet Sauvignon, has a \$41 discount for buying a single case. In Massachusetts the retailer would have to buy 25 cases of the brand in order to receive the same price per case as we give for a single case. This example is very common amongst all of the big brands-Dewars, Smirnoff, etc.

Think of the retailer who would be unable to purchase a single case if there were a quantity discount offered. He or she would probably only get a \$6 discount for a single case if we were forced to offer quantity discounts. Think also of the restaurateur who has no storage space and would be forced to carry fewer items at higher prices, which would then be reflected in their price to the consumer.

In markets that went to quantity discounts, like New York, stores of comparable size to Connecticut often carry 25-30% fewer items, thereby offering consumers less choice of products.

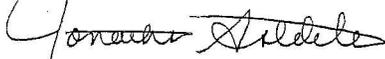
If quantity discounts were allowed, besides seeing many stores go out of business, you would also see prices go higher for single cases, while prices for the quantities would go lower. Our sales force-over 90 people-would definitely lose income, because there would be fewer stores, fewer items, and lower commission rates based upon the quantity discount.

The wine and spirits industry in Connecticut is in good shape. It provides huge tax dollars to the state both in gallonage taxes as well as sales taxes. Many people earn their livings in our industry and most of the main components-Conn. Package Store Asso, Wine & Spirits Wholesalers of Ct., and the Connecticut Restaurant Association-are all opposed to quantity discounts.

I appreciate your time and hope you consider not passing any legislation dealing with quantity discounts.

Thank you very for your time.

Sincerely,



Jonathan Goldstein
President, Ceo
Brescome Barton, Inc.

A L L A N S.
GOODMAN
INCORPORATED

001982

Distributor of fine Wine & Spirits since 1933

March 10, 2005

To: Members of the General Law Committee

Dear Senator / Representative,

I am writing to you on behalf of Allan S. Goodman, Inc., 180 Goodwin Street, Rogo Distributors, 65 Roberts Street and my 200 employees in East Hartford. I ask you to oppose HB 6608, AN ACT CONCERNING THE DEFINITION OF A CASE OF WINE AND A CASE OF BEER FOR QUANTITY DISCOUNTS. I am opposed to legalizing quantity discounting for the following reasons:

- The current law allows licensed retailers and restaurants to purchase from Connecticut wholesalers at a "case one" price. Quantity discounts would exclude those businesses that don't have the financial means to buy large quantities nor the space to store extra inventory. This would put the smaller "mom and pop" businesses at a competitive disadvantage. If an individual supplier or wholesaler wants to lower prices, they should reduce prices for all licensed accounts.
- In neighboring states such as Massachusetts and New York, "case one" pricing is almost always higher than Connecticut "case one" pricing. There are examples in Massachusetts where a retailer has to purchase and store from 15 to 50 cases or more in order to pay the same one case price in Connecticut. In Massachusetts, the largest stores benefit but the medium size and smaller stores suffer. This affects the consumer in that retail pricing in Massachusetts outside of Boston and the Connecticut and New Hampshire borders is typically higher than Connecticut pricing. The net outcome is that smaller stores and restaurants pay to support the large store discounts.
- Quantity discounts limit consumer choices. If businesses (large or small) must buy in quantity in order to remain competitive, then financial restraints and storage space would limit the array of products offered to consumers. This would encourage consumers to shop out of state or over the internet for products they desire that are not conveniently found in CT. The following data presents the average annual sales for each customer that purchased a wine. This data is based on 2004 wine sales for Allan S.

180 Goodwin Street • East Hartford, CT 06108 • TEL: (860) 289-2731 • 1-800-842-8603 • FAX: (860) 528-1815

MAILING ADDRESS: P.O. Box 749 • Hartford, CT 06142-0748

ALLAN S.
GOODMAN
INCORPORATED

001983

Distributor of fine Wine & Spirits since 1933

Opposition to HB 6068, Page 2

Goodman, Inc., including 1700 different wine brands, varietals, and sizes that we sell to over 2500 customers:

Item Rank (Ranked by total cases sales for 2004 for 1700 wines)	# of Restaurants and Package Stores that purchased item	Average annual case sales per customer of this item
1	783	31
10	342	14
50	366	6
100	249	4
500	102	1
750	81	.5
1000	29	.5
1250	13	.42
1500	10	.25

This data illustrates that most wines are sold in very small quantities. If you look at the 50th ranked item of 1700, the average customer purchased only 6 cases for an entire year! To consider providing a quantity discount on 75 liters of wine, or about 8 cases of wine per purchase, will disadvantage all but a few of the wines available for sale that are purchased one case or one bottle at a time.

As an employer in the beverage alcohol business, I wish to continue to build a successful business, work within the limits of the law, and offer fair pricing on a variety of products to a broad array of local business owners. My industry is highly regulated, with a balance of interests between end consumers, the State, retailers, wholesalers, and suppliers. Quantity discounting would change the balance of power to a few large suppliers and retailers that will ultimately hurt local business owners and reduce local jobs.

Sincerely,



David G. Heller, President



SLOCUM & SONS, INC.

Importers & Purveyors of Fine Wines

30 Corporate Drive
P.O. Box 476
North Haven, CT 06473

001984

Ph: 203-239-8000
Fax: 203-239-9979

March 3, 2005

Representative Louis Esposito
Legislative Office Building,
Room 4023
Hartford, CT 06106-1591

RE: HB6608

Dear Representative Esposito:

I regret that I am unable to be with you and the other members of the General Law Committee for the Public Hearing on March 10, 2005; I have a long standing obligation which requires me to be out of state.

Slocum and Sons is a licensed Connecticut Wholesaler of wine, spirits and beer. Our business, which has existed since 1911 focuses primarily on the sale and distribution of unique wine products to Connecticut's restaurants and package stores.

I personally have been involved in the beverage alcohol business for over forty (40) years. Even today, much of my time is spent on the road servicing my company's customers.

I urge you to oppose HB6608 and to oppose legalizing quantity discounts in any form. Since prohibition, Connecticut's liquor laws have been designed to prevent the reoccurrence of the evils that lead to the outlawing of alcoholic beverages. One of those evils was excess consumption of cheap booze pushed on the public by manufacturers whose sole motive was to push product on to the consumer.

Quantity discounts are designed to do the same thing that is to sell large quantities of beverage alcohol, be it wine, spirits or beer.

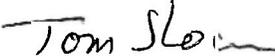
Legalizing quantity discounts will seriously hurt all but the largest package stores. The premise of the current system of distribution is that each restaurant and package store, no matter what their size, has the right to stand on a level playing field. No restaurant or package store gets better pricing and each has the right to purchase any product it may so choose.

Quantity discounts will also hurt consumers by limiting choice. In order to compete, many package stores will have to limit the brands they sell in order to increase the sales of a limited number of brands to get price advantages.

Lastly, in considering this issue, I urge you to take note as to who is proposing the change, Gallo Wineries, Anheuser-Busch, Miller, and Diageo - all large manufacturers. There is no consumer outcry that Connecticut's system is broken. In fact, Connecticut ranks 6th in wine consumption and 12th in spirits consumption, numbers which indicate Connecticut consumers are satisfied with the current system.

In closing, I urge you and your fellow committee members to oppose HB6608.

Very truly yours,


Tom Slocum

001986



Truck Drivers, Chauffeurs, Warehousemen & Helpers Union No. 671

*Affiliated with the International Brotherhood of Teamsters
and Teamsters Joint Council No. 10
22 Britton Drive, Bloomfield, Connecticut 06002*

TELEPHONE:
(860) 242-3200

FAX:
(860) 769-8717

CT WATTS:
1-800-852-8488

WEBSITE:
www.teamsters671.com

EMAIL:
local671@unicol.com

Secretary-Treasurer
Principle Officer
DAVE LUCAS

President
Business Agent
ROGER FENLASON

Vice President
Business Agent
DAVID RANDOLPH

Recording Secretary/Organizer:
ANTHONY LEPORE

Trustees:
ROBERT BOWEN
RONALD LOOBY
DAVID HAYN

February 14, 2005

HB 6608

Dear Senator / Representative,

I wish to express the opposition of Teamsters Local 671 to jumbo cases and quantity discounts. The members of our Local handle and deliver cases of wine and spirits to Connecticut restaurants and package stores. While certain large accounts may be able to take advantage of volume purchases, most of the customers that our members deliver to do not have the space to store large stocks of inventory and therefore would be disadvantaged by any legislation that doesn't provide for a level playing field. We believe that quantity discounts will lead to a reduction in the number of restaurants and package stores. Quantity discounts and jumbo cases will ultimately lead to fewer deliveries and will therefore result in a loss of jobs for our membership. Further, we believe that "jumbo cases", given their size will increase personal risk and result in more physical injuries to our members.

On behalf of Teamsters Local 671, I urge you to enact legislation which clarifies that jumbo cases are illegal and to oppose any effort to legalize quantity discounts.

Sincerely,

David Lucas
Secretary Treasurer

001987

228 No. Plains Industrial Rd
Wallingford, CT 06492

Mid State
Distributors, LLC

Phone: 203-265-6277
Fax: 203-265-7897
Email: Midstatedist@aol.com

March 9, 2005

Mid-State Distributors, LLC is a mid-size distributor, located in central Connecticut. We have been in business for 5 years and currently have 23 employees. Our primary focus is on boutique style wines from small to mid-size wine producers. As a mid-size distributor dealing with smaller producers we are concerned with quantity discounts for the following reason;

We feel that this will hurt the majority of the small shops that we deal with and possibly force them out of business. The smaller retailers that we currently deal with order in small quantities, they either do not have the financial means or storage space to buy in large quantities like the bigger retailers.

If the House Bill 6608 is passed we fear that it will only further hurt an already weak Connecticut economy.

Sincerely,
Mid-State Distributors, LLC

Tom Simpson
Tom Simpson

Committee on General Law
March 10, 2005
Raised Bill No. 6608

Simon Flynn
Connecticut Restaurant Association
Middletown, CT
860-635-3334

Good afternoon Senator Colapietro, Representative Stone and distinguished members of the committee. As the representative of Connecticut's \$3.8 Billion dollar foodservice industry and its 112,000 employees, I would like to voice our opposition to Senate Bill No. 6608 which seeks to define a "case" of wine as containing not more than 75 liters and a case of beer as not more than 125 liters.

This legislation will allow the sale of unacceptable quantities to the major retailers at significant discounts and subsequently result in higher prices for Connecticut restaurateurs. This legislation would benefit a few very large retailers and manufacturers as the average restaurant does not have the storage capability or the cash flow to take advantage of the proposed volume discounts.

The Connecticut Restaurant Association welcomes a discussion of the case pack size of beer, liquor, and wine and the reinstating of new standards which control pricing and allow all operators to compete fairly. It is difficult enough for local restaurants to compete against national operations but when just a few are able to purchase by the pallet and container load at significant discounts, it becomes impossible.

One does not have to go far to understand the effects this legislation might have. A member restaurant reported to us that in Massachusetts the price for a wholesale 12 bottle case of a popular wine was 10% more than in Connecticut. In Massachusetts many small restaurants are forced to buy from large liquor retailers who due to these very same mass purchasing discounts are able to sell below the wholesale prices available to the majority of operations.

Last year the restaurant association sat down with wholesalers on both sides of this issue to discuss the rationale for it and the anticipated impact that it would have. A couple of things

became clear from that meeting. First the potential for negative impact on a small business outweighs any possible advantage and secondly, restaurants will be forced to limit the selection of brands that they offer consumers as storage and delivery charge issues dictate. Only those able to take advantage of the volume discounts will be able to pass any savings onto the consumer however, the more likely scenario is that both wholesale and consumer prices will rise.

There has also been discussion regarding "channel" pricing or the posting of different wholesale prices based on "off premise" and "on premise" consumption. We are very concerned that this type of discriminatory pricing legislates a marketplace disadvantage. In Connecticut there is little choice of which wholesaler we purchase most brands from and the pricing is set. This legislation seeks to eliminate the level playing field that Connecticut Liquor Laws established which allows small local businesses to compete fairly for consumer market share.

As always the Connecticut Restaurant Association will gladly participate in any efforts of the Committee to redefine case packs and any broader efforts to update Connecticut's Liquor Regulations but we cannot support this band-aid approach that helps so few and has the capacity to hurt so many in the restaurant industry. Please vote "NO" on House Bill No. 6608.



Fine Wines & Spirits Since 1933

001990

March 9, 2005

To the General Law Committee

OPPOSE HB 6608, AN ACT CONCERNING THE DEFINITION OF A CASE OF WINE AND A CASE OF BEER FOR QUANTITY DISCOUNTS

I am President of Eder Bros., Inc, a 72 year old wine and liquor-distributor serving customers in Fairfield, Litchfield and New Haven counties. We have 110 employees and I am a second generation owner of this family business.

Under current state laws and regulations, all customers buy at the same case price regardless of how many cases that they purchase of an item. Under the provisions of HB 6608, the largest customers would be able to take advantage of the large quantity discounts but the smaller customers could not. The small customers don't have the purchasing power that the large ones have nor do they have the space in their stores for as many cases that that the large stores have. The large customers would therefore be paying a lower price per case when they took advantage of the quantity discount and the smaller stores would be paying a higher price per case than the large stores pay.

Under current state law and regulation, the price that the consumer pays for a case would be the same regardless whether he or she shops at a large or a small store. In other words, the savings that the large store enjoys in paying for a case at a lower price when taking advantage of a quantity discount is not passed onto the consumer. The large store pockets this saving and the consequence of the quantity discount is to economically benefit the large stores at the expense of the small stores. The small stores receive nothing from the large quantity discounts because they will not be able to take advantage of them.

In the three counties that we service our 20 largest stores do 20 % of our store business. We service approximately 600 stores. This means that the top 3 % of the stores [20 of them] would take fullest advantage of large quantity discounts as compared to the remaining 97 % of the stores that we service which can not match the purchasing power or the space needed to maximize the quantity discounts. It is extremely discriminatory to enact a new law which helps the largest 3% of the stores to the direct detriment of the other 97 %. This is discriminatory discounting in my opinion.

Some additional points to consider if quantity discounts are enacted is that there will have to be a price increase on the single case price if we are going to sell a quantity of cases at a price per case which is lower than the single case price. There will also be a reduction in the number of items that a store would sell because the store space and their purchasing would be geared for the large quantity discounted items.

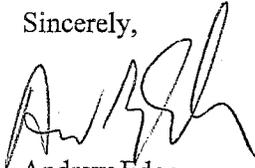
In conclusion, we support a retail marketplace that is a level playing field for all the stores we service – the large and the small ones.

We recognize that a few extremely large brands want to sell more of their cases to the very largest stores at a lower price per case than the smaller stores would receive because this helps those very large brands gain consumer attention. We recognize this as discriminatory discounting and we are totally opposed to this.

001992

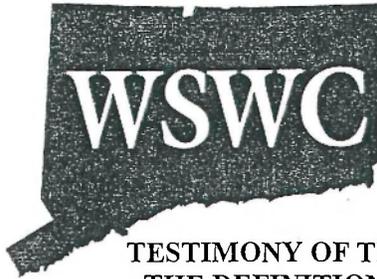
Thank you taking the time to read this letter and giving this important matter your attention.

Sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Eder', written in a cursive style.

Andrew Eder

President



WINE AND SPIRITS WHOLESALERS OF CONNECTICUT, INC.

GEORGE J. MONTANO
EXECUTIVE DIRECTOR
PRESIDENT

PETER A. BERDON, ESQ.
GENERAL COUNSEL

TESTIMONY OF THE WSWC IN OPPOSITION TO HB 6608: AN ACT CONCERNING THE DEFINITION OF A CASE OF WINE AND A CASE OF BEER FOR QUANTITY DISCOUNTS.

March 10, 2005

The WSWC opposes changing the State's long standing policy of prohibiting the wholesalers of beverage alcohol (wine, spirits and beer) from offering quantity discounts in connection with the sale of beverage alcohol.

1. Long Standing Policy of Prohibiting Quantity Discounts. Connecticut has, since the repeal of prohibition, prohibited Quantity Discounts. Current law prohibits a wholesaler from offering a Quantity Discount to retailers. Connecticut General Statutes § 30-94, provides in relevant part:

"(a) No permittee or group of permittees licensed under the provisions of this chapter, in any transaction with another permittee or group of permittees, shall directly or indirectly offer, furnish or receive any free goods, gratuities, gifts, prizes, coupons, premiums, combination items, quantity prices, cash returns, loans, discounts, guarantees, special prices or other inducements in connection with the sale of alcoholic beverages or liquors. No such permittee shall require any purchaser to accept additional alcoholic liquors in order to make a purchase of any other alcoholic liquor." (Emphasis added.)

See also C.G.S. §§ 30-63(b) & 30-64b which provide similar prohibitions.

This policy ensures that a package store or restaurant, no matter the size, stands on a level playing field in the purchasing and sale of beverage alcohol.

2. Support from Connecticut Businesses. The WSWC is not alone in its support of continuing the prohibition of offering quantity discounts. The WSWC is joined by the Connecticut Package Store Association, the Connecticut Restaurant Association, and Teamsters Local 671 in its opposition to HB 6609. All of these organizations believe that the offering of quantity discounts will hurt Connecticut.

3. Increased "Case One" Wholesale Price. Under the current system every package store and every restaurant can purchase beverage alcohol at the BEST price – that is the "Case Price." In markets which permit quantity discounts, such as Massachusetts, in order to get the same price as is offered by Connecticut wholesalers, a restaurant or package store would have to buy a total of 3 to 15 cases to get the same price. The reason for the increase in the "case one" price is simple; in order for a wholesaler to support the discount it needs to make-up for the lost revenue by increasing the price of smaller quantities. Below are examples of a selection of popular products which demonstrate this fact:

Page 1 of 3

Produced by Wine & Spirits Wholesalers of Connecticut, Inc.

132 TEMPLE STREET • NEW HAVEN, CT 06510
Telephone (203) 624-9900 Fax (203) 624-9870 www.wswc.org

<u>Product</u>	<u>CT Case 1 Price</u>	<u>MA Case 1 Price</u>	<u>MA Deal Price</u>
Smirnoff Vodka 80 Proof (1.75l)	99.46	133.14	125.94 (5 cs)
Beefeater Gin (1.75l)	138.66	182.94	137.94 (10 cs)
Jack Daniels Whiskey 80 Proof (1.75l)	171.46	203.94	185.94 (15 cs)
Bacardi Rum Light 80 proof (1.75l)	119.46	122.94	116.94 (5 cs)
Johnny Walker Red Scotch 80 Proof (1.75l)	179.46	219.96	189.96 (10 cs)
Canadian Club Whiskey 80 Proof (1.75l)	101.46	131.13	103.74 (10 cs)
Beringer White Zinfandel (750ml)	58.92	70.00	66.00 (3 cs)
Woodbridge Chardonnay (750ml)	63.38	77.00	67.00 (10 cs)
Turning Leaf Merlot (750ml)	63.00	78.00	70.00 (5 cs)
Sutter Home White Zinfandel (750ml)	35.92	48.00	40.40 (15 cs)

(All figures as published in : *Connecticut Beverage Journal* June 2004 & *Massachusetts Beverage Journal* June 2004)

Additionally, quantity discounts do not result in overall lower costs. Based upon a 1999 study under taken by the WSWA, Massachusetts wholesaler had average sales of \$133.28 per person, compared to Connecticut Wholesalers which had average sales of \$134.76 per person, slightly more than a 1% difference. This is in spite of the fact that the same study shows that Connecticut wholesalers face higher operating costs such as wages (2.3% higher on average) and higher excise taxes.¹

4. Fewer Package Stores. Most package stores (approximately 1,100 out of the 1,379 in the state) can not afford to buy the larger quantities to get the best discount. (It is a single product which is in the case) Nor do they have the space to store the additional inventory that they would have to carry. As such they will be at a pricing disadvantage as opposed to those stores who can afford it. The result is that a significant number of package stores will, over time, be forced out of business, because they will be unable to compete with the large box stores. Again, Massachusetts is a good comparison to demonstrate this effect. Based upon the National Alcohol Beverage Control Association, *Survey Book 2002*, Connecticut had one package store for every 2469 residents (1379 package total stores) and Massachusetts had one package store for every 3902 residents (1627 total package stores). If one were to assume that Connecticut would move towards the Massachusetts ratio then the total number of Connecticut package stores would reduce to 873 stores, a loss of 506 stores. While there are other factors which may effect these ratios, no one can dispute that there will be a significant loss of package stores.

5. Harmful to Restaurants. Few if any Restaurants will reap any benefits. Most restaurant purchases of alcoholic beverages pale in comparison to that of even a modest-size package store.

¹ Current Excise Tax Rates:

State ¹	Spirits	Wine	Beer
Connecticut	4.50/gal	.60/gal <21% alc	6.00/bar
Massachusetts	4.05/pf gal	.55/pf gal	3.30/bar

The wholesale alcohol beverage industry has approximately \$1bill. in sales per year. However, 70% of those sales are made to package stores (\$583,333/per store average) and the balance to restaurants, bars and other on premises accounts (\$66,666/per account average). Since Restaurants purchase less quantities of alcoholic beverage they will not be able to take advantage of the deals, that are available to package stores because of their larger purchases.

6. Harmful to Connecticut Wholesalers. Most Connecticut wholesalers, unlike the Gallo wholesaler, Connecticut Wine Merchants, sell wine, spirits and beer from many different suppliers and manufacturers. They have contractual and business obligations with these suppliers and manufacturers. As previously discussed, the offering of quantity discounts will force wholesalers to focus on a limited number of brands which will be advantaged by the offering of a quantity discount, thus limiting the breadth of products that the wholesalers could focus its sales on and possibly causing them to breach agreements.

7. Connecticut Residents Are Satisfied. The push to change the system in Connecticut is not driven by Connecticut business or residents. In fact, based upon presumptive consumption, Connecticut residents seem to be satisfied with the current system. Connecticut residents consumed an average of 2.15 Wgallons of spirits, 4.46 Wgallons of wine and 25.02 Wgallons of beer; compared to Massachusetts residents who consumed an average of 2.12 Wgallons of spirits, 4.51 Wgallons of wine and 28.41 Wgallons of beer.² These consumption levels place Connecticut 12th for spirits, 6th for wine and 48th for beer. If Connecticut residents were not satisfied with the current system they would not contribute to these presumptive consumption levels through their purchases.

8. Less Consumer Choice. Currently there are approximately 11,000 different brands of wine bear and spirits offered for sale in Connecticut. A local Connecticut retailer testified during a public hearing last year that: "If I have to buy quantity discounts [of] product[s] across the board, I cannot afford to purchase other product[s]. . . . If I have to invest my money in Bella Sera, I can't afford Woodbridge. If I invest in Woodbridge, I can't afford Beringer. Therefore, the money that I have invested in my inventory goes from 65 Chardonnay's to ten. Where is the consumer product convenience in that?" (General Law Committee Public Hearing Transcript, Senate Bill 137, 2-19-04 (emphasis added)). If retailers (large and small) must buy large quantities of a certain product to take advantage of the discount, then those will be the products that they will be offering to their customers—not a large variety of products.

On behalf of the Wine & Spirit Wholesalers of Connecticut, Inc. and their 1,000 employees, thank you for your consideration of this issue.

Respectfully submitted,



Peter A. Berdon

² DISCUS, *Public Revenues from Alcoholic Beverages*, 1999.



CONNECTICUT
DISTRIBUTORS INC.
THE CHARMER SUNBELT GROUP

333 LORDSHIP BLVD, STRATFORD, CT 06615
TEL 203.377.1440 | FAX 203.377.8960

Members of the General Law Committee –

Connecticut Distributors, Inc. has been in the distribution business of alcoholic products, predominantly wine and spirits, since 1933. We currently employ one hundred and sixty people.

We, as a company, are totally opposed to Bill 6608 that calls for the implementation of quantity discounts. There are over eleven hundred package stores in the state and in our view, with the advent of quantity discounts many of these small private businesses will have to drastically change their methods of doing business for the below reasons:

- In order to purchase appropriate quantities of major spirit and wine brands will require greater purchasing power, i.e., infusion of cash.
- With much larger quantities being purchased, most package stores will have to reduce inventories of other brands so as to provide storage space, thus reducing overall selection of non-major items to the consumer.

These two factors will put the “Mom and Pop” stores at a significant competitive disadvantage over the larger stores.

Currently, regular monthly discounts (Post Offs) are offered to all retailers and restaurants alike and are based against a single case or in some instances a single bottle purchase. This system keeps the playing field level while at the same time keeps prices to the consumer competitive. In order to offer deeper discounts on large purchases, distributors will have to increase their prices on single case purchases to compensate for lost revenue, thus the “discount” will be shouldered by the small business owner.

As a distributor in the beverage alcohol business we strive to offer a varied array of products to all our customers at fair prices. Quantity discounts would change this dynamic that would negatively impact local business owners and reduce jobs.

I urge you to give this matter serious consideration and vote NO against Bill 6608.

March 10, 2005

Rod Johnson
56 Mathew Road
East Hartford, CT 06108

To: Members of the General Law Committee
RE: I oppose HB 6608, AN ACT CONCERNING THE DEFINITION OF A CASE OF WINE AND A CASE OF BEER FOR QUANTITY DISCOUNTS.

Dear Madame or Sir:

I am an employee of Allan S. Goodman, which is a Wine and Liquor Wholesaler in East Hartford. I am also the Shop Steward and a member of Teamsters Local 671. We have 24 Teamsters at Goodman. My job is delivering wine and liquor to restaurants and package stores. I also work in the warehouse. I have worked for the company for 26 years.

I am opposed to quantity discounts for wine and let me explain why. On a typical day I deliver anywhere from 250 to 350 cases of wine and liquor to an average of 40 accounts. Most customers buy many items, but in small quantities. An example of a delivery would have 5 to 10 solid cases of all different products and 30 bottles of all different products. As I understand the Quantity Discount bill, a customer who buys more wine, up to 8 cases, gets the best price. Most customers don't have the space to buy 8 cases at a time of just one wine. Most customers don't sell 8 cases of a particular wine in an entire year.

As I see it, quantity discounts would help only the largest stores because they can buy in bulk. Quantity discounts would hurt almost every other customer that I deliver to. If you guys pass this quantity discount bill, I think a lot of customers will go out of business. Less customers means fewer deliveries and less jobs for the Teamsters. If my company has to reduce costs to pay for greater discounts, that also means less jobs for the Teamsters.

I know that this is a complicated issue with many different opinions. The bottom line is that quantity discounts will reduce the number of jobs.

Sincerely,



Rod Johnson