

The Need for Beverage Alcohol Reform



Presenters



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Why and why now?



- Most state beverage alcohol laws were written more than 75 years ago at the end of Prohibition.
- These laws are antiquated, unduly restrictive (Prohibition mentality of authors) and an economic burden on the industry.
- What was the beverage alcohol industry 75 years ago?



Wine

- No wine industry as such
- Only sacramental wines were produced in CA and NY during Prohibition
- What were alcoholics called in the early days after Prohibition? Winos. That was the image of the wine industry – high alcohol fortified wines
- The industry as we know it today, really began with Robert Mondavi and his Napa showplace





Spirits



- There were no distillers of any size in the US after Repeal except for medical alcohol
- No white spirits for more than a decade
- Just HARD LIQUOR
- No fancy cocktails; 7 and 7



Beer



- No national brewers
- All local brands
- NYC and other cities had many breweries; e.g. Schaefer, Balantine, Pils
- Now Imbev and Miller Coors nationally
- Resurgence of craft brewers



Retailers

- No big box stores
- Trade practice rules designed to restrict downstream purchasing pressure.
- Never contemplated upstream pressure e.g. dictate product selection to be carried and at what price
- Who were typical licensees? Mom and pop stores. The only corporate entities were railroads, banks and insurance companies
- No chain licensees



Corporate Conglomerates



- Were none at repeal of prohibition. Tied house laws passed to block perceived evils of Prohibition – i.e. suppliers or wholesalers should not own outlets where they can “push” their products on customers.
- Never anticipated a global conglomerate owning a US hotel or restaurant group and wineries, distilleries or breweries inside or outside the US.

Time for Change


- Visionary regulators in a number of states have recognized the inadequacy of 1934 laws in today's dynamic marketplace.
- VA passed first tied house conglomerate exception. IL, TN and others including NY have undertaken total top to bottom review of their beverage alcohol laws and regulations. IL initiative came from Chief Counsel Bill O'Donoghue's TN initiative came from career ABC Executive and Administrator, Danielle Elks.




Illinois Liquor Control Commission

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Time for Change (continued)



- NY's initiative was the result of an election year industry investigation by disgraced then NY Attorney General Elliott Spitzer. There was such an industry outcry that the NY legislature appointed a Beverage Alcohol Law Revision Commission of law professors from various NY law Schools. Industry supports the initiative; had series of all day sessions involving all segments of industry and has recommended more than 50 changes to the Law Revision Commission. We have great expectations. Report due this Summer.

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Examples of NY Industry Recommendations

- Elimination of "death penalty" Consent Orders imposed by AG Spitzer on all 3 tiers of industry.
- Adoption of Federal Trade Practice and Tied House rules which were totally revised and modernized over 20 years ago. Will both modernize and harmonize NY laws to those of other states that have adopted Federal Trade practice rules.
- Elimination of Price Posting – At least half of NY investigation violations arose out of price posting law.
- Equal treatment with beer for wines and spirits – eg able to rotate stock.




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Examples of NY Industry Recommendations (continued)



- New concept of "trade channel" promotions from IL study.
- Multiple promotional issues.
 - eliminate indoor sign size limitations (went back to "cop on the beat").
 - wine lists and drink menus – deregulated by TTB.
 - minimum product order for large displays.
- Supplier private labels.

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Examples of NY Industry Recommendations (continued)

- Manufacturer's Agents Permits – To allow supplier calls on retail trade.
- Liberalize and harmonize tasting rules.
- Liberalize and harmonize retailer sampling rules.
- These are only examples. There are at least 30 more.
- Next Steps
- Momentum for revision is growing. More states are initiating reviews. Get involved and support these efforts – you will be the principal beneficiaries.



Thank You!



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