



# WINE AND SPIRITS WHOLESALERS OF CONNECTICUT, INC.

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Testimony of Wine & Spirits Wholesalers of Connecticut, Inc  
In Opposition to:

## H.B. No. 5276 (RAISED) AN ACT CONCERNING CONNECTICUT BASED MICROBREWERIES

General Law Committee, Public Hearing, March 2, 2010

The Wine & Spirits Wholesalers of Connecticut, Inc., and its member companies, oppose HB 5276. The proposed bill seeks to make one minor change to the qualification of a brewery manufacturer permit, but primarily seeks to eliminate the franchise protections that Connecticut wholesalers have had for nearly 40 years. Specifically, the bill seeks to accomplish the following:

- a) Remove the minimum brewing capacity that a holder of a brew pub permit must have (it is currently 5,000 gallons) to sell to wholesaler;
- b) For beer, increases the time period from 6 to 12 months before a wholesaler has any vested franchise rights;
- c) Eliminates the requirement that the DCP approve all agreements of termination or diminishment of any franchise rights;
- d) Eliminates the requirement that any non-voluntary elimination or diminishment can only be accomplished through hearing before DCP where the manufacturer establishes just and sufficient cause.

There are several reasons for requiring a supplier to establish just and sufficient cause before taking away a wholesaler's right to distribute a particular brand.

First, such a requirement recognizes that wholesalers expend large amounts of money to develop new brands and nurture existing brands. It is inequitable to have a wholesaler invest in a supplier's product only to have that investment taken away on a whim. This is particularly important in a world that has 2 major beer manufacturers and only a handful of major spirit and wine manufacturers.

Second, it protects against "free riding" by another wholesaler (or even the manufacturer) who might unjustly profit on the investment made in a brand by another wholesaler.

Third, it encourages a wholesaler to invest in marketing and developing brands. A wholesaler that knows it will have the opportunity to recoup its investment in brand development, though a profit stream over a period of time, in fact, encourages wholesalers to make investments in brands in their portfolio and to bring on new brands. This in turn has the additional benefit of enhancing consumer choice.

Fourth, it furthers the state's interest in promoting wholesaler independence from suppliers. While often overlooked or minimized in current times, wholesaler independence from suppliers was a central tenet of the Rockefeller Report. It was this report that laid out the design of our current regulated system of distribution of alcohol. The authors of the report believed that by creating a buffer between the retailer and supplier that the state's interests in temperance would be served. Recent studies of alcohol related problems in Sweden and England support this conclusion reached nearly 77 years ago.