Proposed Liquor Legislation **Opposed**

To: Connecticut Law Review Council

From: Chris Vellozzi
(Owner)
Castle Wine & Spirits
1439 Post Road East
Westport, CT 06880

Dear Sir/Madam,

I am writing this letter to express my concerns regarding the proposed overhaul of Connecticut's liquor laws and distribution. The following page(s) discusses the negative impact to our state in the following ways:

- Increase in the number of Liquor Licenses from 2 to 9
- The impact of big business on the "mom and pop" shops
- The "Medallion" system and its effect on devaluing of licenses

Thank you for taking the time to consider my concerns,

Chris Vellozzi

Proposed Liquor Legislation **Opposed**

1. **Increase in the number of Liquor Licenses that a store owner can have from 2 to 9.** The Governor claims that this change, in conjunction with his proposal to offer quantity discounting to the retailer (not currently available,) will give the retailer more buying power and, therefore, lower prices to the consumer. While this may be true in the short term, we believe that the longer term impact will result in many (if not most) small stores going out of business because they will not be able to obtain product at a competitive price. The result will be:

   Prices will increase once competition has been eliminated
   Selection will be determined by several large chains
   Many retail and likely wholesale jobs will be lost as the number of retail outlets decreases

2. **Offer Quantity Discounts, eliminate price posting and eliminate minimum bottle pricing.** Currently, retailers get no economic benefit for purchasing from the wholesaler in a larger quantity. Rather, wholesalers offer all retailers post-offs (discounts) on select items during certain calendar months no matter how much product is purchased. Retailers are not allowed to sell goods below the State's minimum bottle price, a price which is set by the supplier and is in excess of the retailer's cost. The Governor believes that eliminating posting and minimum bottle price along with the ability to achieve a discount by purchasing in quantity will lower prices to the consumer. Again, we believe that these changes, especially when amplified by proposal #1 above, will eliminate competition over the long run and not achieve its objective. Results will be:

   Supermarkets and large retailers will be able to sell items below cost as a loss leader. In many cases, these retailers' sale price to the consumer will be less than the wholesale cost available to the smaller retailers. This will put small retailers out of business.
   Once competition has been eliminated, the larger retailers will be able to raise prices and determine selection.
   Jobs will be lost.

3. **Medallion System.** Currently the number of retail permits issued in a specific town is set at 1 for every 2,500 people. In order to make the rest of his proposal seem equitable to the retailers, he is proposing to eliminate the current population based permit limitation and offering a medallion system, where each existing retailer would receive a medallion that could be sold in the open market. These medallions would be transportable across town lines. Consistent with every other portion of his proposal, this change hurts small retailers and helps the big box/supermarkets. We believe:

   In the short term, there may be too many liquor stores in more desirable areas as large chains purchase medallions in less desirable areas for cheaper prices and then move into more lucrative markets which no longer have any limitation on the number of stores.
   In the long term, the medallions will become worthless as the larger stores put the smaller stores out of business.