



STATE OF CONNECTICUT

GOVERNOR DANIEL P. MALLOY

**Testimony of Governor Daniel P. Malloy
Governor of the State of Connecticut
to the General Law Committee
February 28, 2012**

Senator Doyle, Representative Taborsak, and distinguished members of the General Law Committee, thank you for allowing me to offer testimony regarding House Bill No. 5021, AN ACT CONCERNING COMPETITIVE ALCOHOLIC LIQUOR PRICING AND HOURS OF OPERATION FOR PERMITTEES.

Regardless of how any of us feel about Connecticut's liquor laws, there's no denying that most are complex and longstanding. Many date back to prohibition, with countless provisions and nuances added along the way. In putting together a package of liquor law reforms it was not my aim to completely do away with or rewrite that system. Alcohol is a unique product, and a transparent and accountable system of sale is important.

However, as the years have gone by and other states have continued to modify their own laws to reflect modern-day realities, our statutes have collected dust. **Not only do Connecticut businesses lose hundreds of millions of dollars every year to our neighboring states, but the consumers who do shop here are paying exorbitantly higher prices**, as the examples attached to my testimony demonstrate.

How long are we going to allow parking lots in Massachusetts, New York and Rhode Island to fill up with Connecticut license plates every weekend? How long are we going to watch our residents cross the borders to buy in other states the exact same products they could be buying here, from local Connecticut retailers? And how long are we going to continue to cheat the consumers who do shop here with exorbitant prices and inconvenient hours?

We should not wait any longer. The bill before you would do the following for Connecticut consumers and Connecticut businesses:

- Bring our hours and days of sale in line with neighboring states.
- Allow package stores to sell a wider variety of complementary products.
- Give some convenience stores that sell a large quantity of grocery items the opportunity to sell beer as well.

- Get our shelf prices in line with neighboring states by allowing wholesalers to offer quantity discounts and by removing “minimum bottle” price posting that unfairly inflates cost to consumers.
- Create a medallion system for current package store owners that will add real value to the investment they’ve already made in their business.

That’s what this proposal does. I also want to highlight a few things it *doesn’t* do:

- It does not harm Connecticut’s “three tier” system of distribution.
- It does not allow for the sale of wine or spirits inside grocery stores, but rather allows for grocery store owners to operate a separate package store if they so choose, and only if they purchase a medallion from an existing package store owner.
- It does not completely remove the cap on how many licenses one person may operate, as some states have done.

Of course there are many more things it doesn’t do, but I wanted to mention a few to make the following point: while this proposal is expansive, it is far from extreme. Other than a new medallion system, there is not a single concept or idea contained in this bill that is not current practice in one or all of the three states we border. **These changes do nothing except catch us up with neighboring states in an effort to keep Connecticut dollars here in Connecticut.** The package only seems extreme when compared to our own, outdated system.

In addition, my office has continued to discuss this package with representatives from every level of Connecticut’s liquor industry, and also with members of the General Law Committee and the General Assembly at large. **That positive dialogue has led to a number of suggested modifications to the original bill as proposed.** I suggest my office and the Department of Consumer Protection, with your input and guidance, work with your staff in the days ahead to construct substitute language based on these compromises. Attached to this testimony is a list of the proposed changes for your consideration.

The conversations that led to these suggested changes have demonstrated one thing very clearly: while progress is always possible, change can still be hard. If it weren’t, Connecticut would not be the only state other than Indiana that bans the off-premise sale of alcohol on Sundays. (By the way, earlier this year Indiana’s general assembly didn’t act on their Sunday Sales bill, but many are hopeful it will pass next year; this very well may be Connecticut’s last chance not to be dead last in this regard.) I know that there are people here today who are concerned about change, and how this bill might impact them. I want to briefly respond to a few of the concerns we’ve heard.

First, there is nothing in this bill that purposefully favors large retailers over small. In fact, even if this bill becomes law there will still be **more protections in place for smaller operators in this industry than in any other single industry in Connecticut.** Those protections include a controlled pricing structure and a limit on how many stores one person can own. There is simply no other product we handle in a similar way, including the sale of guns.

Does this bill increase competition on the retail level? Yes. But I refuse to believe that Connecticut's many small package stores are only in business today because of the protections provided by the state. **They are in business because of the hard work and commitment of their owners, and because of the unmatched level of customer service that can only be found in a small retailer.** Connecticut residents, including myself, will continue to patronize stores where we get the best service.

Second, the changes in this bill can and will grow jobs in the state. Recapturing approximately \$570 million in sales each year that we are losing over our borders will help not just package stores, but other businesses as well because we will be **keeping shoppers in Connecticut.**

Third, there are those who believe lowering sales and excise taxes will bring us in line with neighboring state's prices. Again, as the attached examples dictate, even completely doing away with these taxes wouldn't close the gap on most items. That being said, I absolutely agree that Connecticut's tax rates must remain competitive with the region. If this bill passes and we can see the impact it has on overall sales in state, I will commit to working with the General Assembly to review the taxes on these items.

The bottom line is this: our laws are outdated and they artificially increase the price of alcohol to Connecticut consumers. This proposal is pro-consumer, pro-"mom and pop" and pro-dollars being spent within Connecticut. By allowing Sunday sales, by lessening distribution and sale restrictions and by amending permit regulations, we're going to help Connecticut regain its competitive edge in this industry, and we're going to give consumers a break at the same time.

Thank you for hearing my testimony. I respectfully ask you to support this bill.

**Testimony of Governor Dannel P. Malloy
Governor of the State of Connecticut
to the General Law Committee
February 28, 2012**

Attachment A: Suggested Bill Revisions

ITEM 1: Price Posting

- **Current language in bill:** Removes price posting at wholesaler level, including “min bottle” posted prices and amending period.
- **Suggested revisions:**
 - a) Reinstate price posting for wholesalers, but without min bottle posting by wholesaler or amending period.
 - b) Reinstate language in Sec. 12. subsection (b) regarding price discrimination.
 - c) Include “channel pricing” in posting for on- vs. off-premise retailers.

ITEM 2: Cap on Package Store Permits, and “1 per 2500” Limit

- **Current language in bill:** Moves cap from 2 to 9 immediately, and removes municipal limit subject to local zoning.
- **Suggested revisions:**
 - a) Move cap from 2 to 6, with a gradual phase in of one store increase per-year beginning October, 2012 (i.e., 3 stores in 2012, 4 stores in 2013, etc.).
 - b) Reinstate 1-per-2500 person limit for maximum amount of permits per town.

ITEM 3: Retail Pricing

- **Current language in bill:** Removes rules that set minimum retail prices.
- **Suggested revisions:** Retailer may sell at either:
 - a) actual cost of acquisition; or
 - b) lowest posted price in CT; and
 - c) notwithstanding (a) or (b) above, a retailer may also choose up to 5 items (individual SKUs) per-month per-store that may be sold at up to 10% below cost as defined in (a) and (b) above.

ITEM 4: Quantity Discounts

- **Current language in bill:** Removes any restrictions on wholesalers offering quantity discounts to retailers.
- **Suggested revisions:** Work with industry and legislators to define a structure for quantity discounts that includes a cap.

Testimony of Governor Dannel P. Malloy
Governor of the State of Connecticut
to the General Law Committee
February 28, 2012

Attachment B: Massachusetts Price Comparison

The chart below is a comparison of select products that were advertised earlier this month by Massachusetts retailer Yankee Spirits. The Connecticut column is the minimum bottle price allowed by law in February. All prices are pre-tax.

	<i>Mass: Yankee Spirits Advertised Price</i>	<i>Conn: Minimum Allowable Price by Law</i>
1.75LT Absolut	\$25.99	\$31.99
1.75LT Beefeater Gin	\$25.99	\$29.99
1.75LT Canadian Club	\$15.99	\$20.99
1.75LT Dewar's	\$29.99	\$35.99
1.75LT Jack Daniels	\$35.99	\$40.99
1.75LT Jim Beam	\$21.99	\$29.99
1.75LT Sailor Jerry Rum	\$22.99	\$29.99
1.5LT Beringer White Zinfandel	\$7.98	\$10.99
750ml Beringer Knights Valley Cabernet	\$14.98	\$21.99
750ml Blackstone Merlot	\$6.98	\$8.99
750ml Ch St Jean Cabernet	\$8.98	\$12.99
750ml J Lohr Cabernet	\$10.98	\$14.99
750ml Robert Mondavi Private Select	\$6.98	\$9.99
750ml Simi Chardonnay	\$10.98	\$15.99
1.5LT Woodbridge	\$9.98	\$12.99