

Written Testimony of Slocum & Sons, North Haven, CT – General Law Committee

HB 5021, An Act Concerning Competitive Alcoholic Liquor Pricing and Hours of Operations for Permittees

February 24, 2012 (Public Hearing Date February 28, 2012)

Dear Representative Taborsak, Senator Doyle, and members of the General Law Committee. Please accept this written testimony on HB 5021, An Act Concerning Competitive Alcoholic Liquor Pricing and Hours of Operations for Permittees.

Slocum and Sons has been in the fine wine and spirits distribution business in Connecticut for over 30 years. On behalf of our 100 employees and the loyal customers and consumers we serve throughout the State of Connecticut, we wish to express our grave concerns over a number of provisions in this legislation that will cost Connecticut hundreds, if not thousands, of small business jobs.

First and foremost, we object to the elimination of price posting from wholesalers to retailers in section 12 of the proposal. It is our fervent belief the elimination of this important regulation will lead to rampant corruption and will favor large retailers with the deepest pockets. In concert with the elimination of the current prohibition on free goods and other inducements, Connecticut will become the dumping ground for inferior products, as wholesale transactions will be based solely on free goods and payoffs. This will actually *reduce* consumer choice, as smaller retailers who are able to somehow stay in business will not be able to compete on name brands with large box stores. We believe that current wine and liquor pricing is competitive as evidenced by the price of name brand wines in Connecticut versus neighbors such as New York. There also will be a concomitant reduction in State sales tax revenues due to the elimination of price posting, which currently helps in the collection of these taxes.

Furthermore, we object to the allowance in section 12 for wholesale volume discounts without restriction. The “case one” pricing that exists now serves small and medium-sized retailers and restaurants and bars extremely well by giving the lowest prices to the most customers. Large quantity discounts will result in *price increases* for customers who cannot purchase in large quantities due to unaffordable financial requirements and lack of storage capacity. Only large box stores stand to gain under this proposal at the expense of hundreds of “Mom and Pop” retailers throughout the State.

We also object to the elimination of the minimum pricing structure in section 6 of the bill. While on its face this appears to be a consumer friendly provision, its consequence will lead to large box stores selling any item below cost, causing many small “Main Street” retailers to go out of business. Once large box stores control the marketplace, they will be able to raise prices at the expense of consumers. Additionally, important safeguards against underage drinking when sales take place between a package store owner and his or her customer will be sacrificed.

Finally, we object to raising the number of permits that may be owned by one person from 2 to 9 and turning to a medallion system for package stores as proposed in sections 10 and 18 of the bill. The increase from 2 to 9 will lead to business being done out of state and the opportunity for corrupt practices. Medallions will quickly lose value as the number of retailers who purchase medallions will be a fraction of the number that go out of business.

We do not believe we are exaggerating when we say one-third to one-half of our customers will go out of business due to these provisions. For Slocum & Sons of North Haven, this means significant layoffs of sales people, warehouse personnel, drivers and support staff. Our ability to provide continued excellent customer service will be compromised and we will suffer severe accounts receivable losses as many of our customers' cash flow becomes constricted.

Make no mistake; the deregulation of the alcohol marketplace under this proposal will have a huge negative impact on our business and industry, without creating the alleged benefits of additional competition or lower prices. We ask the members of the General Law Committee to consider these proposals in light of the State's obligation to regulate the distribution, sale and dispensing of alcoholic liquor, along with the significant industry displacement and upheaval it will cause across the State should it go forward in its current form. In this regard, we believe a Blue Ribbon Commission be appointed by this General Assembly and the Executive to carefully study the complex nature of the current pricing structure and our three-tier system of alcohol regulation.

We look forward to continuing this discussion with the members of the General Law Committee in the days and weeks ahead.

Thank you for your consideration.

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