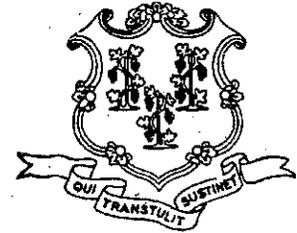


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Department of Consumer Protection



Testimony of William M. Rubenstein Commissioner of Consumer Protection

General Law Committee Public Hearing
February 26, 2013

Governor's Bill 6361, "An Act Concerning Fair Alcohol Pricing"

Senator Doyle, Representative Baram, Senator Witkos, Representative Carter and distinguished members of the General Law Committee, I am William Rubenstein, Commissioner of Consumer Protection. Thank you for allowing me the opportunity to offer testimony in support of Governor's Bill 6361, "An Act Concerning Fair Alcohol Pricing."

Currently, Connecticut's laws on minimum liquor pricing are unlike any other state in the nation. The result is that Connecticut consumers are paying unnecessarily high prices, and Connecticut retailers are losing out on sales when those consumers head across our borders to shop for cheaper priced liquor.

This bill, proposed by the Governor, would take a simple but important step in making Connecticut's liquor laws fairer and more sensible, to the benefit of consumers, retailers, and the state's economy. Here's how:

Section 30-68m of the general statutes currently states that "no retail permittee shall sell at a price below his or her cost." Ironically, the statute then lays out a definition for "cost" that is often entirely unrelated to the *actual cost* a retailer might pay for a given

bottle of wine or spirits. This is because part of the equation involves a “bottle price” that is separate and apart from the case price, both of which are set each month by wholesalers.

The bill before you would set the minimum allowable retail price at the *actual cost* paid by retailers for each bottle, plus any cost for shipping and delivery the retailer incurs.

To understand the significance this change would have, we can look at a survey conducted as part of the Competitive Alcoholic Liquor Pricing Task Force that took place last year. The survey recorded shelf prices at various retailers in Massachusetts and Rhode Island during the month of August, and compared those prices to the minimum allowable price here in Connecticut.

A few of the more disparate price comparisons include:

- A 1.75L bottle of Skyy Vodka on sale for \$17.59 in Massachusetts, with a minimum allowable price of \$23.99 in Connecticut. A \$6.40 difference.
- A 1.75L bottle of Jack Daniels on sale for \$33.99 in Massachusetts, with a minimum allowable price of \$41.99 in Connecticut. An \$8.00 difference.
- That same 1.75L of Jack Daniels on sale for \$36.88 in Rhode Island. A difference of \$5.11 from Connecticut’s minimum allowed price.

It’s true that on some items, Connecticut prices are more in-line with our neighbors. But that begs the question: what is the purpose of a Connecticut law that allows for this kind of price disparity, even on some items?

To help answer that question, let me point out two things this bill *doesn’t* do:

First, this bill does not do away with minimum pricing laws. Rather, it sets the minimum retail price using a more reasonable, logical criteria – actual cost paid – rather than an arbitrary one. As such, it would align our minimum retail price policy with those of neighboring states.

Second, this bill does not reduce existing protections for smaller package stores. If this bill becomes law, Connecticut’s numerous and cherished “small” package stores would continue to benefit from the myriad of laws that make up our liquor statutes: Laws that prohibit quantity discounts (meaning larger stores are prohibited from benefitting from

large bulk purchases at discounted prices); laws that require wholesalers to sell to all retailers at a single locked-in price per month; and laws that limit the maximum number of package stores in each town.

In addition, maintaining a price floor as I've just described means that large retailers would still be unable to use "loss leaders" by selling below cost. Again, using actual cost as minimum pricing criteria is the current practice in our neighboring states – states that all have a large and vibrant network of small package stores.

In closing, I would like to bring to your attention a recent example of what's possible when Connecticut seeks to modernize its liquor laws. Last year, with the help of this committee and the General Assembly at large, Connecticut began to allow the sale of alcohol from package stores on Sundays. The state now has data on liquor sales from May of 2012 – when Sunday Sales began – through November of 2012. By comparing that information to the same months from 2011, we can get a picture of what the impact, if any, has been.

Here's what we know: In the months of 2012 when Sunday sales were allowed:

- There were 179,588 more gallons of wine sold in Connecticut, which does not include an additional uptick in wine sold from small wineries.
- There were 192,607 more gallons of distilled spirits sold in Connecticut.
- There were 993,330 more gallons of beer sold in Connecticut, not including kegs which also saw an increase in sales.

Are these increased numbers an indicator that Connecticut consumers are drinking more alcohol? Probably not. What they demonstrate is that Connecticut consumers are doing more of their shopping in Connecticut stores.

The bill before you seeks to continue that work. It would give consumers a break, and incentivize them to shop here in Connecticut.

Thank you for considering my testimony in support of the Governor's proposal. I'm happy to answer any questions you might have.

