



# WINE AND SPIRITS WHOLESALERS OF CONNECTICUT, INC.

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February 28, 2014

## TESTIMONY OF WINE AND SPIRITS WHOLESALERS OF CONNECTICUT

### In Opposition to:

### **Raised Bill No. S.B. 67, AN ACT CONCERNING THE INCLUSION OF JUICES, TEAS AND SPORTS DRINKS UNDER CONNECTICUT'S BOTTLE BILL.**

The members of the Wine and Spirits Wholesalers of Connecticut ("WSWC") **oppose** any modification of S .B. 67, AN ACT CONCERNING THE INCLUSION OF JUICES, TEAS AND SPORTS DRINKS UNDER CONNECTICUT'S BOTTLE BILL which include wine or spirits containers within the bottle deposit program. While the WSWC acknowledges that wine and spirits are not included in the present draft of the bill, the WSWC is cognizant of efforts by other stakeholders to expand the reach of the current proposal. The WSWC opposes such efforts.

The members of the WSWC oppose any effort to include wine or spirits containers within the bottle deposit program on three basic grounds:

1. The cost to the industry to acquire the necessary infrastructure would be crushing.
2. Because multiple wholesalers (the deposit initiator) sell the same products within the same geographic area, it would be impossible for stores (or wholesalers) to know to whom returns should be made.
3. Additionally given that the more than 100 wine and liquor wholesalers sell more than 36,000 different products, it would be a herculean task for the retailers to sort, return and account for all the deposits.

### **Background:**

Unlike the distribution of soda or beer, which are sold on an exclusive basis by a distributor within a given geographic area, wine and spirits may often have two or more distributors selling the same products within the same market area (usually statewide). Further, a single retailer may often buy the same product from one or more wholesaler; thus, at any given time a store's inventory of a particular product at any given time may have been purchased from multiple wholesalers.

The mode of delivery is also different. Beer and soda distributors use "side loader" trucks which have "bays" that are accessed from the side of the trailer/truck. Because of the volume of a limited number of products delivered, delivery trucks are simply loaded with the request number of cases required for the delivery route of the

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day and delivery drivers “make up” a stop’s order at the stop by taking the proper number of cases off the truck. Because of the makeup the trucks they are able to leave some bays free at the start of the route to accept returns and as additional deliveries are made, more room is made available to accept more returns.

In contrast wine and spirits wholesalers, which distribute an exponential number of products when compared to beer or soda wholesalers, have sophisticated warehouse systems which “make up” each customer’s delivery at the warehouse. These orders are then loaded on to straight box trucks in inverse order of delivery; thus, there is no particle place to accept returns on the same truck.

***Cost Prohibitive to Industry.***

Because of the way in which the different warehouse and delivery methods developed for wine and spirits wholesalers, including their products within the bottle deposit program would require significant modifications to their trucks and warehouses requiring millions of dollars in expenses to be incurred. By way of example, because of the lesser volume of wine and spirits as compared to beer (beer volume is nearly 3 times that of wine and spirits combined on a gallonage basis) wine and spirits wholesalers’ warehouse have less of a capacity to receive in goods and adding returns to the mix would require physical plant expansion. In fact, some wholesalers would find it impossible to do so at their present locations because site constraints. These costs would be in addition to additional costs required to modify and expand their truck fleets. Additionally, retailers would find it nearly impossible to find sufficient space to sort the thousands of products they sell among the more than 100 wholesalers.

***No Unique Territories***

Unlike beer and soda, which are distributed on an exclusive basis, wine and spirits are not. When a wine and spirits wholesaler sells a product to a package store or restaurant there is no practical way to determine which wholesaler made the sale. Thus, when the product is returned to a wholesaler there is no practical way for the wholesaler to determine if they or some other wholesaler is responsible to pay the deposit and handling charge to the retailer. Because of the lack of exclusive territories the presumption that the wholesaler made the sale is lost. Thus, there is an likely-hood that not only will the distributor pay out a deposit that it never collected plus a handling charge for product it never sold, but it will be forced to bear additional costs of processing and disposing of the redeemed product.

***Among Confusion Retailers***

A typical beer or soda distributor might sell between 30 to a few hundred different products. Wine and Spirits wholesalers on the other hand can distribute almost 5000 different products. On top of multiple distributors selling the same products, retailers would have to sort 1000’s of different products among more than a 100 different

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wholesalers, with no practical way to do so, not to mention the space that such a sorting effort would take.

***Who are the WSWC Members?*** The members of the Wine and Spirits Wholesalers of Connecticut are a key link in the 3-Tier System which controls the distribution of beverage alcohol in this country. They purchase beverage alcohol from suppliers and manufacturers and then market and sell those products to licensed retailers – restaurants and package stores. The members of the WSWC:

- are licensed and regulated by the state of Connecticut and the federal government;
- are responsible to insure that the wines and spirits brought in to the state by manufacturers and importers are sold and distributed only to licensed retailers (package stores and restaurant);
- pay to the state in excess of \$46.7 M in state excise taxes;
- assist the Department of Revenue Services in the collection of Sales and Use Taxes, in excess of \$141 M annually;
- provide in excess of 1,400 direct jobs to Connecticut residents; and
- contributes in excess of \$175 M in direct and in direct benefits to the state's economy.

The members of the WSWC are committed to ensuring that the best possible safeguards to prevent the sale of beverage alcohol to minors are in place and adults of legal drinking age consume beverage alcohol responsibly, while at the same time providing an efficient method of distribution which provides access to a wide variety of quality wine and spirits from all over the world.

Respectfully submitted,

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