

**Testimony submitted by
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Wine and Spirits Wholesalers of Connecticut, Inc. (WSWC)
General Law Committee Public Hearing
February 23, 2016**

In support of **H.B. No. 5323**; AN ACT REQUIRING COMMON CARRIERS TO REPORT THE TRANSPORTATION OF ALCOHOLIC LIQUOR INTO THE STATE.

In opposition to **S.B. No. 14**; AN ACT ENSURING THE REGIONAL COMPETITIVENESS OF CONNECTICUT'S LIQUOR PRICES.

H.B. No. 5323: Each year it is estimated that millions of dollars of alcoholic beverages are being shipped into the state of Connecticut illegally. Many of these beverages are shipped innocently by common carriers. (Fed Ex, DHL, UPS etc.) These illegal shipments cost the state millions of dollars in lost excise tax as well as hurting the hundreds of Connecticut licensed wholesalers and retailers who obey the law. The common carriers who deliver these products into our state are **NOT, in any way**, breaking the law, but many times the sender and/or recipient are, whether intentionally or unintentionally. This bill would simply require any common carrier bringing alcoholic beverages into our state to electronically report, once a month, to the Department of Revenue Services, the deliveries they make. This information provides critical data to DRS to identify these illegal shipments and to pursue the collection of sales and excise taxes for the State. The state of Illinois has had this reporting requirement for some time and has discovered that as much as \$200 million dollars of illegal shipments of alcoholic beverages had been coming into their state annually at a loss of \$20 million dollars of excise taxes. This requirement has helped them recapture much of this lost revenue. The WSWC strongly supports this measure.

S.B. No. 14: This bill seeks to modify CGS section 30-68m; to allow a package store to sell alcohol at a price equal to its cost, irrespective of when purchased.

This change in our decades old law will be devastating to most local family owned Connecticut package stores as they, because of their size, will not be able to take advantage of inventory buying opportunities because they don't have the space to store the inventory nor do they have the capital to buy large quantities all at once. This puts most of Connecticut's 1150 plus family owned package stores at a devastating competitive disadvantage to Big Box liquor stores who have large storage capacity and plenty of capital to buy many months' worth of inventory in advance.

The proponents of this bill, and even the title of this bill, imply that Connecticut's current system of single bottle pricing is not competitive in our region. They point to the fact that Connecticut is the only state in the union with single bottle pricing. They use as evidence of our so-called non-competitiveness, random, snap shot prices of the cost of one bottle of one particular brand of wine or spirit, on one day of one month in time, in one state as compared to that same bottle, on one day in one month in time, in Connecticut. What the proponents ignore however, is that every state in the union has some form of price regulation on their alcoholic beverages. Most all, if not every state, prohibits the sale of alcoholic beverages below cost. Some call their price regulations minimum mark up; we call ours, minimum bottle or single bottle pricing. Whatever price regulations are called, since the end of prohibition, this country and this state has recognized the importance of regulating the price of alcoholic beverages. Why? Because alcoholic beverages are an **intoxicant** and need to be regulated. We are not talking about hammers or paper towels, we're talking about an intoxicant, that gone unregulated, leads to rock bottom prices or "loss leaders" which leads to excessive and irresponsible consumption of alcohol and the social and health issues that accompany that reality. Evidence the United Kingdom experience, where there is no minimum pricing and excessive drinking has reached epidemic proportions. "The Dangers of Alcohol Deregulation: The United Kingdom Experience" By Pamela S Erickson, M.A., CEO Public Action Management, PLC, 2009 (Alcoholic Liver Disease up 230%; Acute Intoxication up 220% since deregulation began in the 1990's)

So how should we measure Connecticut's competitiveness in the region when it comes to liquor prices? Taking random snap shots of prices on a given day during a certain month is not an accurate measure of price competitiveness. Prices of various brands of wine and spirits vary from state to state, month to month. Some months Connecticut's prices on certain alcoholic beverages are higher, sometimes lower.

The best evidence of price competitiveness is from the consumers prospective. How much wine and spirits **sold in Connecticut** is our adult population (21yrs old or older) consuming as compared to wine and spirits sold and consumed in our neighboring states? This is the best indicator, on a per capita basis, of how competitive our pricing system truly is.

In a 2014 survey performed by economists John Durham and Associates, the per capita consumption of adults, 21 years of age or older was compiled for all 50 states and the District of Columbia. The survey was limited to wine and spirits, both separately and together. The survey looked at how much wine and spirits by gallon, were being sold in each state and divided that amount by the adult, over 21, population of that state. The calculation was done for wine and spirits combined and separately.

Of all 51 jurisdictions surveyed, **Connecticut** ranked **10th highest** overall with a per capita consumption of 7.88 gallons of wine and spirits combined per year, per adult. Our wine consumption was 5.38 gallons (10th highest) and spirits was 2.52 gallons (19th highest) per adult.

Massachusetts ranked **7th** overall with a per capita consumption of 8.21 gallons of wine and spirits combined per year, per adult. Their wine consumption was 5.75 gallons (7th highest) and spirits, 2.46 gallons (23rd highest).

Rhode Island ranks **15th highest** overall with a per capita consumption of 7.35 gallons of wine and spirits combined per year, per adult. Their wine consumption was 4.76 gallons (13th highest) and spirits was 2.59 gallons (15th highest).

New York ranks **20th highest** overall with per capita consumption of 6.75 gallons of wine and spirits combined, per year, per adult. Their wine consumption was 4.67 gallons (14th highest) and spirits was 2.08 gallons (34th highest).

New Jersey ranks **11th highest** overall with per capita consumption of 7.75 gallons of wine and spirits combined, per year, per adult. Their wine consumption was 5.26 gallons (11th highest) and spirits was 2.49 gallons (21st highest).

To summarize these statistics, Connecticut adults consume more wine and spirits per capita than adults in 41 other states.

Connecticut adults consume more WINE per capita than any of our neighboring states except Massachusetts.

Connecticut adults consume more SPIRITS than any of our neighboring states except Rhode Island. We even beat out Massachusetts and they do not have any sales tax on alcoholic beverages.

Conflicting messages! Since 2012, Governor Malloy has been proposing a change in the way alcoholic beverages are priced in Connecticut. The Governor has been very vocal in stating that Connecticut's alcohol prices are too high, especially in comparison to our neighboring states. The Governor has put forth the proposal of eliminating single bottle pricing for 5 consecutive years. However, in 2011, Governor Malloy and the Legislature **raised the excise tax on alcohol by 20%**, making our excise tax higher than most all of our neighboring states. In addition, that same year, the Governor and the Legislature **raised the sales tax on all products and services, including alcoholic beverages by over 5.8%**, while at the same time our neighboring state of Massachusetts, eliminated all sales taxes on alcohol.

If Connecticut's wine and spirit pricing system is old and broken, uncompetitive and not working, why do our consumption rates rank so high in the nation and especially high in comparison to our neighboring states?

Connecticut's pricing system works! It is competitive, fair and responsible!

PLEASE VOTE NO to S.B. 14

Who is the WSWC? The Wine & Spirits Wholesalers of Connecticut, Inc. was established in 1964 and since then has been the trade association representing wine and spirits wholesalers in Connecticut. The WSWC membership totals 56 and its members distribute the vast majority of wines and spirits sold in Connecticut. The members of the WSWC span a diversity of size, from very large to very small, but are all family owned businesses. Individually they employ as many as 230 employees and as few as one person working part-time. Collectively, they are a significant and integral part of Connecticut's economy. The members of the WSWC:

- Contribute in excess of \$200 million dollars in direct and indirect benefits to the state's economy
- Provide in excess of 1,700 direct jobs to Connecticut residents;
- Pay in excess of \$167 million dollars in wages;
- Pay in excess of \$60.2 million dollars in state excise taxes;

- Promote, market, sell, warehouse and deliver nearly 43,000 different brands; and
- Assist the Department of Revenue Services in the collection of Sales and Use Taxes in excess of \$141 million dollars annually.

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, providing access to a wide variety of quality wine and spirits from all over the world.

Respectfully Submitted,

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