**OLR Bill Analysis**

**sHB 7183**

**AN ACT CONCERNING ALCOHOLIC LIQUOR WHOLESALER PERMITS.**

**SUMMARY**

This bill extends, from six to 18 months, the statutory protection period for an alcoholic liquor wholesaler (e.g., spirits, wine, and beer) permittee against a manufacturing or out-of-state shipper permittee terminating or diminishing its geographic territory. A wholesaler permittee’s distributorship may be terminated or its geographic territory diminished only for just and sufficient cause if the wholesaler had the distributorship for the statutorily defined time (see BACKGROUND). (In the three-tier alcoholic liquor distribution system, manufacturers or out-of-state shippers generally sell to wholesalers (i.e., distributors), who sell to retailers, who then sell to consumers.)

The bill allows a wholesaler permittee and a manufacturer or out-of-state shipper permittee to agree on different terms regarding terminating or altering a distributorship agreement. This includes allowing the manufacturer or out-of-state shipper permittee to agree to terminate on a different timeframe with just and sufficient cause as determined under existing law. Such an agreement must be in writing.

Under the bill, when a wholesaler has held a distributorship for less than 18 months, a manufacturer or out-of-state shipper that wants to terminate or diminish a territory must first notify, 14 days prior, by certified or registered mail, the affected authorized distributor or wholesaler and the Department of Consumer Protection (DCP). The bill prohibits DCP from adopting regulations that are inconsistent with the bill.

By law, a manufacturer or out-of-state shipper may appoint
additional wholesalers for distributing alcohol, spirits, or wine after notifying existing wholesalers. The bill shortens the notice period, from six to three months, by moving up the effective date of the appointments. As under existing law, a manufacturer or out-of-state permittee must provide written notice to existing wholesalers by certified or registered mail, return receipt requested, with a copy of such notice simultaneously sent by certified or registered mail, return receipt requested, to DCP.

EFFECTIVE DATE: July 1, 2019

BACKGROUND

Terminating or Diminishing a Territory

By law, if a manufacturer or out-of-state shipper permittee wants to terminate or diminish a wholesaler permittee’s territory after the statutorily defined time, it must (1) execute a written stipulation agreement of the change with DCP approval or (2) send written notice by certified or registered mail, return receipt requested, to the wholesaler, and a copy must be simultaneously sent to DCP.

Existing law prohibits such a termination or diminishment without just and sufficient cause. DCP must determine, after a hearing, whether such cause exists.

By law, "just and sufficient cause" means the existence of circumstances which, in a reasonable person’s opinion considering both the wholesaler and the manufacturer or out-of-state shipper’s equities, warrants a termination or a diminishment of a distributorship as the case may be.

COMMITTEE ACTION

General Law Committee

Joint Favorable Substitute
Yea 10 Nay 8 (03/25/2019)