

CONNECTICUT PACKAGE STORES ASSOCIATION



700 Plaza Middlesex
Middletown, CT 06457
Ph - 860.346.7978
Fax - 860.343.0014

Executive Director
Carroll J. Hughes
cjhughes@hughesandcronin.com
Assistant Director
Sean Hughes
shughes@hughesandcronin.com

April 29, 2019

Testimony: Senate Bill 1140 AN ACT CONCERNING WINE IMPORTATION.

Carroll Hughes, Executive Director – CT Package Stores Association (CPSA)

I am presenting to you today on behalf of the alcohol beverage industry and most importantly, the Connecticut Package Stores Association (CPSA) in opposition to Senate Bill 1140 AN ACT CONCERNING WINE IMPORTATION. There are more than 1250 retail package stores in this state employing over 7,000 people in full and part-time positions, whose jobs are vital to their family's survival.

In addition to store employees, the industry employs at least another 2,000 truck drivers, sales persons, warehouse workers, and others. The economic spinoff to related services is vast. The alcohol beverage industry's off premise sales produce in-state sales and excise tax revenue in excess of \$150 million each year. The income tax and other indirect state taxes generate another \$100 million.

Municipalities receive another \$250 million in property taxes from the 1250 stores located in freestanding buildings, shopping centers, and major malls where package stores have become anchor tenants, as mail order sales have destroyed other brick and mortar stores.

Besides retailers and wholesalers, the alcohol beverage industry has a constantly growing, local partner in the manufacturers of beer, wine and spirits products. There are currently 91 breweries in Connecticut, from the largest in Stratford to those in Branford, New Britain, Hartford and across the entire state. Most legislators currently have some type of alcohol manufacturer in their district, or will in the future. In addition to the breweries, there are 15 distilled spirits manufacturers in Connecticut, found in Hartford, East Hartford, Bloomfield, and Bridgeport. There are also 35 farm wineries in the state, from Stonington to Shelton, Goshen and Litchfield, and many towns in between.

Connecticut package stores sell these Connecticut-made products, many dedicating special sections in their stores to showcase them. Many wholesalers deliver these products to retail stores, as well as restaurants and bars. Employment at these 141 manufacturers is estimated to be over 1,500 employees and steadily growing.

All sectors of the alcohol beverage industry have a common issue with Senate Bill 1140, since it will directly or indirectly cause losses within the state by sending wine sales out of state. In the retail sector, we know that beer, wine and spirits are sold. What you might not know, is that of these product categories, wine is by far the most profitable. The profit margins on wine are higher for a number of reasons. There is vast competition in the wine industry, with thousands of brand names and varieties sold from hundreds of producers in every region throughout the world. There are few choices of any wine that cannot already be found in a package store in Connecticut. There are no wines that cannot be imported or cleared through a wholesaler and retailer into Connecticut. There is a process in place currently for this importation to occur.

Legislation currently before the legislature will allow Connecticut wine, spirits and beer manufacturers to sell each other's Connecticut-made products at all 141 locations (Senate Bill 647) in addition to the 1250 package stores. The alcohol beverage market in Connecticut has a set number of consumers. Not everyone who is able to buy and consume alcohol beverages does.

The volume intake of each consumer may vary in consumption, but not by much. All alcohol manufacturers are competing for consumers. Consumers require more knowledge from sellers, product sampling, and the option to reject and return products that do not meet their expectations of quality and price. These requirements are met through purchases made at package stores or at manufacturer locations. They are an integral part of what drives competition in the industry, leading to quality products and honest business done by the people of this state and beyond.

There are 11,496 wine producers in the United States. California leads with 4,653. Connecticut has 35. Almost all manufacturers are also retailers. There are also more than 40,000 retail liquor stores nationwide.

Although Senate Bill 1140 indicates there will only be 150 out-of-state shippers licenses if this bill passes, thousands of retailers will be marketing to Connecticut consumers. The Liquor Control Commission and the Department of Consumer Protection would need to hire hundreds of employees to control the marketing effort if they want out-of-state retailers to remain in compliance.

Credit card companies sell lists of consumers in targeted monthly purchase categories. If you want to buy a list of all credit card holders who purchase more than \$200 per month in alcohol beverages, you can buy it. If anyone thinks this state can limit who sells alcohol on the internet, then they would be incorrect. As you all know, guns and drugs can be purchased over the internet illegally, without a license, and shipped via mail order. We hear these issues being discussed frequently at the legislature. If despite our best efforts, we cannot control those sales, how can we expect that the sale of alcohol beverages over the internet will be controllable with the sole requirement to obtain a license to sell a legal product?

Internet ads and targeted brochures advertising mail order wines are already here. Passage of this bill will increase that activity dramatically. Senate Bill 1140 will shift the wine market. It will have winners and losers. The winners will be in many other states and countries. The losers will be here, in Connecticut. The losers will be the people you represent.