

Beer and Wine Three-Tier Task Force

Review of 2006 Report

Prepared for: Joint Select Committee on Beer and Wine Regulation
June 10, 2008
Prepared by: Mac Nicholson, Senate Committee Services

Three Tier System Review Task Force

- Created by legislation enacted in 2006.
- Task Force composed of 20 members appointed by the Liquor Control Board.
- Conducted comprehensive review of the state's regulatory system for the distribution and sale of beer and wine.
- Task Force made 11 recommendations.

2SSB 6823 (2006)

- 2SSB 6823 was an omnibus bill amending various provisions of state liquor laws.
- Section 13 of the legislation required the Liquor Control Board to “convene a task force to conduct comprehensive review of current regulatory system controlling the sale and distribution of beer and wine in Washington state.”
- Required inclusion of diverse stakeholder group.
- Report and recommendations due December 2006.

Task Force Membership

- Legislators
- On-Premise Retailers
- Local Government
- Liquor Control Board
- Large and Small Grocers
- Washington Beer and Wine Manufacturers
- Consumers
- Local Law Enforcement
- Out-of-State Wine and Beer Manufacturers
- Specialty Retailers
- Large Retailers
- Prevention/Treatment Community
- Distributors

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Task Force Tasks

- Review the genesis of the current regulatory system and whether the system in its current configuration should continue.
- Identify key issues, concerns, and desired changes by stakeholders about the current system.
- Identify alternatives or modifications to current system.
- Research and analyze the impacts and implications of 2SSB 6823 and other suggested modifications to the system on distributors, producers, retailers, and consumers.
- Make recommendations about proposed changes.

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Task Force Process

- LCB contracted with independent consulting firm to prepare materials for and facilitate Task Force meetings.
- Prior to start of meetings, interviews were conducted with stakeholders.
- Interviews and comments were used to identify perceived strengths and weaknesses of current system.
- Task Force agreed on recommended changes to state policy goals, which were used as criteria to assess current regulations and potential changes.
- Results of interviews used to identify and prioritize issues.

Recommendations

1) State Alcohol Policy

- The Task Force believes an appropriate alcohol regulatory system for beer and wine sales and distribution should be based on three policy goals:
 - Prevent the misuse of alcohol.
 - Promote efficient collection of taxes.
 - Promote public interest in fostering the orderly and responsible distribution of malt beverages and wine towards effective control of consumption.
- Status: Policy used to guide LCB decisions.

Recommendations

2) Tied house prohibitions against providing money or money's worth to retailers.

- Task Force recommended continuing the state's current approach of providing specific exceptions to the prohibition against providing money's worth to retailers.
- Directed LCB to work with stakeholders to re-examine current exceptions and develop a comprehensive list of proposed exceptions for legislative consideration.
- When developing list of recommended exceptions, the LCB should consider:
 - Industry business needs
 - Customer benefits
 - Whether it creates unwanted inducement for retailers
 - Potential for increased misuse of alcohol
 - Enforcement resources
- Status: LCB convened work group to evaluate tied house statute.

Recommendations

3) Tied house ownership and financial interests

- The Task Force encouraged the liberalization of the tied house ownership restrictions and recommended the Legislature work with the LCB to arrive at a workable solution.
- Status: LCB convened work group to evaluate tied house statute.

4) Price Posting

- The Task Force recommended that price posting be eliminated.
- Status: Issue in the Costco litigation.

Recommendations

5) Mandatory minimum price mark-up

- The Task Force recommended elimination of the mandatory minimum markup requirement.
- Status: Issue in the Costco litigation.

6) Volume Discounts

- The Task Force recommended that volume discounts be allowed, with the same volume pricing available to all customers.
- Status: Issue in the Costco litigation.

Recommendations

7) Use of common carriers

- The Task Force recommended that manufacturers and distributors be allowed to ship their product to retailers using common carriers.
- Consider establishing a licensing requirement for all common carriers delivering alcoholic beverages regardless of origination.
- Status: Legislation has been enacted allowing use of common carriers in limited situations.

8) Retail credit terms

- The Task Force recommended that manufacturers and distributors be allowed to offer credit to retailers, with specific terms—30 days, and reporting requirements and penalties for default.
- Status: Issue in Costco litigation.

Recommendations

9) Enforcement resources

- Task Force recommended that the LCB be supported by adequate enforcement resources.
- Resources should grow in consideration of population and liquor license increases.
- Status: On-going budget item.

10) General impact measures

- Legislature is encouraged to provide funding to the LCB to develop research and analysis capability, and work collaboratively with stakeholders and other agencies to collect, use, and analyze independent data.
- Status: LCB convened workgroup, and will request funds.

Recommendations

11) Measuring impacts of 2SSB 6823

- The Task Force recommended that the LCB identify and select key impact measures that can be monitored and analyzed to provide the Legislature with data about the impacts related to the legislation.
- The LCB was encouraged to work with stakeholders and legislative staff to identify pertinent impact measures.
- Status: Reviewed by LCB.