

You have the power to stop the collapse of a Connecticut Industry:

PASSED LEGISLATION:

- **2011:** The State of Connecticut (PUBLIC ACT 11-06) raises sales tax and excise tax increasing beer prices to the consumers.

- **2010:** TOMRA, a reverse vending provider handling the return of deposit containers at supermarkets, mandates a 22 cents per case fee for access to vending machines at retail stores, forcing small distributors and consumers to bear this cost.

- **2008/2009:** The State of Connecticut requires small distributors to remit unclaimed bottle deposits to the State. This legislation (PUBLIC ACT 08-01) shifts the entire and significant costs of operating the bottle bill to distributors, resulting in a price increase to consumers, local liquor stores and restaurants, further hindering a competitive market.

connecticut
beer wholesalers association

CURRENTLY TASK FORCE TOPICS:

- **Alcohol Liquor Taxes** — The recent excise tax increase from 20 to 24 cents, on top of a 6% to 6.35% sales tax increase, clearly no longer places Connecticut competitive to neighboring states.

- **Quantity/Volume Discounts** — Unlike the current environment, quantity discounts have been proven to increase prices while reducing consumer options. Locally owned liquor stores, small distributors and restaurants cannot compete where quantity discounts are implemented.

- **Territories, Franchises and the 3 Tier system** — As a system firmly established in ALL 50 STATES, it is not logical for Connecticut to unravel a partnership with small distributors that assures responsible delivery of a controlled substance, timely collection of State-mandated taxes, and enforcement of the recycling requirements found in the Bottle Bill.

- **Minimum Pricing/Price Posting** — A model proven to reduce consumer costs and a transparent system supported by the industry, price posting assures that retailers, large or small, have access to the same product at the same price.



**STOP THE
DOMINO EFFECT!**

One further change to the system puts Connecticut small distributors, local liquor stores and restaurants at risk of collapse.

Family owned businesses, providing jobs for Connecticut families

Founded 30 years ago, the Connecticut Beer Wholesalers Association (CBWA) represents six family-owned businesses with a mission of responsibility.

Daily, we take responsibility for the safe and efficient delivery of a controlled substance to authorize permittee, as well as responsibility for providing a quality work environment for our family of employees.

After decades of quietly serving the people of Connecticut, the CBWA is actively sharing our story and asking for the support from our legislators to protect our industry and the jobs we provide.

Recently, our membership roster changed, and we are now solely comprised of distributors dedicated to opposing proposed changes to our State's liquor laws and maintaining a marketplace that honors the interests of small distributors, local liquor stores, and restaurants.

OUR MEMBERSHIP IS UNITED IN OPPOSING:

- **Quantity discounts and depletion allowances**
- **Changes to additional permitting**
- **Unraveling the territory, franchise and three-tier system**
- **The elimination of transparent price posting**

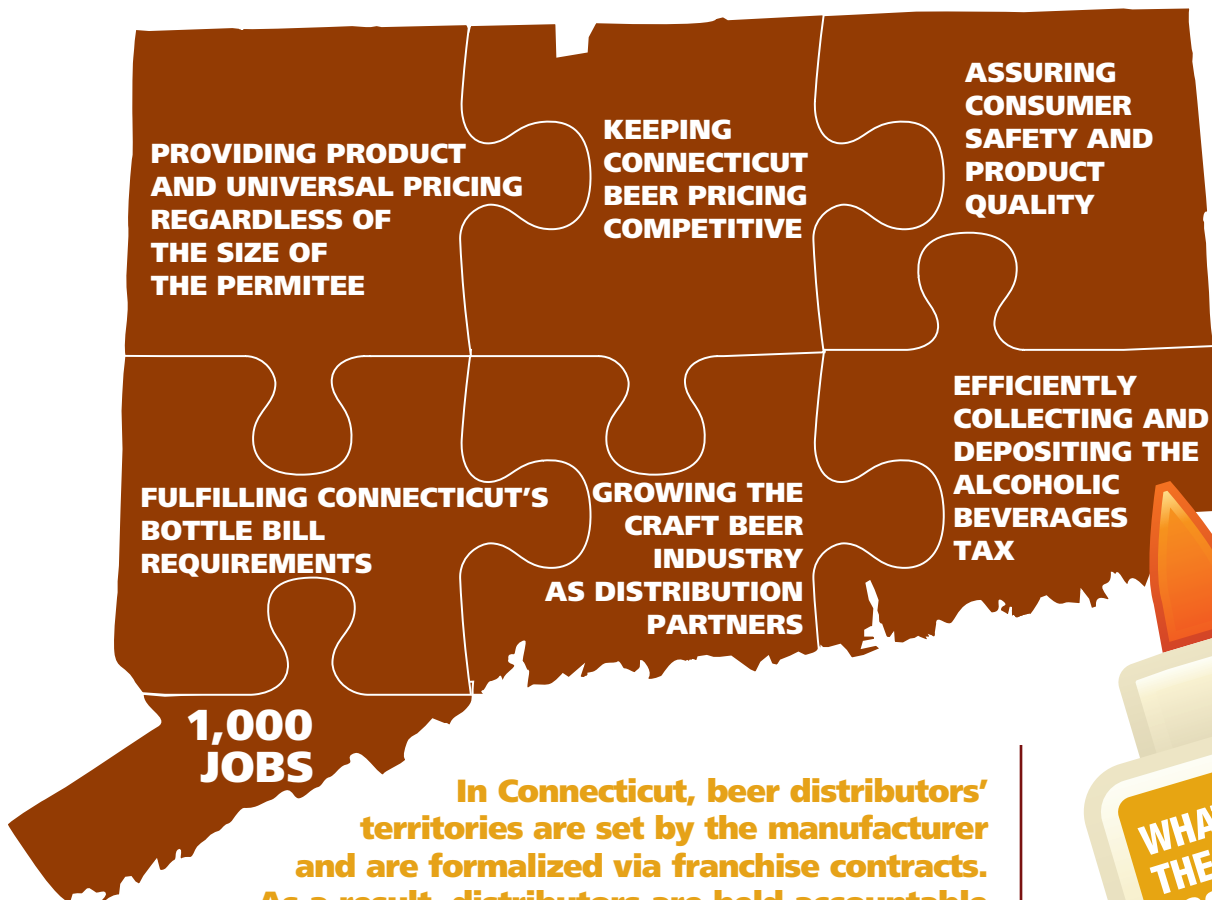
WE STAND UNITED IN WELCOMING AN UNBIASED REVIEW of our regional competitiveness and the impact on consumer pricing as a results of:

- **Recent tax increases**
- **Recent changes to Bottle Bill legislation.**

Before there can be any changes to our current system, we must fully recognize Connecticut's uncompetitive position compared to the tax structures of neighboring states.



Distributors and their territories — getting the work done, one piece at time.



In Connecticut, beer distributors' territories are set by the manufacturer and are formalized via franchise contracts. As a result, distributors are held accountable to manufacturers, retailers/restaurants, and the State of Connecticut.



“Using distributors makes it a much more efficient process of collection and it does not require that we be chasing all of the retailers in the State of Connecticut.”

— Kevin Sullivan, Commissioner, State of Connecticut, Department of Revenue Services reporting to the Liquor Pricing Task Force, August 1, 2012.

MANUFACTURERS mandate that distributors assure product quality and consumer satisfaction, taking responsibility for safety recalls as well as consumer education in the prevention of abuse.

CRAFT BREWERIES rely on the distribution network to deliver product to market, and through distributors, has become a growth industry in the State.

RETAILERS (local liquor stores, restaurants, and other permittees) have a local relationship through their distributors, with universal access to product, regardless of permittee size.

THE STATE OF CONNECTICUT is able to fulfill the environmental regulations of the Bottle Bill thru distributors, who not only collect and process redeemed recyclables, they also collect and return to the State, unredeemed deposits (\$6.1 million/2010), known as “escheats.”

As stated by Commissioner Sullivan, the STATE'S DEPARTMENT OF REVENUE SERVICES recognizes and depends on the efficiency of having distributors collect the alcoholic beverages tax.

The myth of quantity discounts and rebates

Currently, permittees large and small, have the ability to purchase from Connecticut beer distributors, regardless of the quantity, at the same transparent cost.

Whether a local liquor store, restaurant or large retailer, there is a level playing field. Proposed changes to current regulations include the introduction of quantity discounts and depletion allowances (rebates).

The concept of buying at a larger quantity to pay less per unit is a marketplace myth that we've all experienced. The reality is that any "discount" achieved was the result of inflating the original price from the onset

In the beer industry, the myth and reality is much the same. Any quantity discounts offered by manufacturers, would be achieved by raising the costs on smaller quantity orders.

Therefore, any small liquor store or restaurant unable to afford or store a large amount of product, would not only pay more for their smaller orders, the inflated costs paid by the smaller businesses would make the quantity discounts for superstore locations possible.

And, if putting local retailers and restaurants at risk isn't concern enough, depletion allowances would nearly eliminate a distributor's ability to operate as an independent business.

In theory, depletion allowances provide discounts, rebates or other inducements to distributors when manufacturer-defined product sales levels are achieved. In reality however, depletion allowances negatively impacts cash flow, adds administrative costs and allows the manufacturer to dictate a distributor's daily operations.

While quantity discounts and depletion allowances are being proposed as a benefit to consumers, such changes to current liquor regulations, are nothing but a myth, ultimately benefitting the manufacturers and super-sized retailers.

CURRENT, TRANSPARENT PRICING SYSTEM:



THE NEGATIVE IMPACT OF QUANTITY DISCOUNTS:



Small distributors, local liquor stores and community restaurants can't survive under a quantity discount scenario.

While price posting is transparent, the arguments against it are camouflaged

Proposed changes to Connecticut's liquor laws argue that eliminating price posting will benefit consumers in the form of lower prices. CBWA suggests that when transparent pricing is eliminated, manufacturers will be able to discriminate — selecting which distributors get the best prices on products — potentially forcing consolidation of the marketplace.

Without all outlets having access to common pricing information, distributors in turn, could also discriminate against permittees.

**Proposals to eliminate price posting fail to take into account an important fact:
In Connecticut, beer is priced competitively.**

In fact, despite the myriad of regulations, high costs of doing business and burdensome taxes, consumers in Connecticut enjoy competitive beer prices with neighboring consumers in New York, Rhode Island and Massachusetts.

Where do Connecticut consumers lose when it comes to beer prices?
The higher taxes that they pay.

**THE
TALE OF
ONE SIX
PACK,
FOUR
STATES:**



To test the reality of consumer benefits from proposed changes to the current pricing systems, the same six-pack of Sam Adam's Boston Lager was purchased in all bordering States, as well as our own.

EVEN WITH CONNECTICUT'S HIGHER TAXES and BOTTLE BILL REQUIREMENTS, THE CONNECTICUT SIX PACK WAS THE LEAST EXPENSIVE OF ALL FOUR.

One system. Three tiers. All fifty States.

Alcohol (like prescription drugs or firearms) is no ordinary commodity.

In fact, alcoholic beverages are the only commercial products specifically named in the United States Constitution. Because our society recognizes the importance of controlling alcohol use and access, alcohol has always been treated differently under the law than most other products.

Within recent memory, alcohol manufacturers at one time owned or controlled most retail outlets. This led to irresponsible and unaccountable practices, resulting in high levels of alcohol abuse and underage sales.

The three-tier system was created to strike a balance between control and access of this socially important, but potentially harmful, commodity.



HOW THE THREE-TIER SYSTEM WORKS

- In all 50 states, alcohol is sold through a three-tier system, whereby manufacturers, distributors and retailers each occupy a different level.
- Manufacturers supply distributors; distributors in turn supply retailers.
- Under the laws which created the three-tier system, each level of the system is independent of the others – ensuring accountability to the public as well as the benefits of healthy competition.
- By requiring that all alcohol pass through state licensed distributors subject to Connecticut regulatory authority, the three-tier system ensures that alcohol is only sold to licensed retailers in a manner that is consistent with applicable law and that the proper taxes are paid.
- ***At a time when society is demanding more effective regulation in other industries, the three-tier system has been effectively ensuring transparency and accountability in the beer, wine and spirits industry for generations.***

Why break this industry? A tax break is a more realistic solution.

Connecticut Increased Taxes in 2011:

- The General Assembly increased the alcohol excise tax and sales tax
- Excise tax increase from \$.20 to \$.24
- Sales tax increase from 6% to 6.35%

