

# SENATE BILL REPORT

## SB 6648

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As Reported By Senate Committee On:  
Commerce & Labor, February 6, 1998

**Title:** An act relating to permitting the licensing of retail alcoholic beverage businesses in which no manufacturer, importer, or wholesaler has a direct or indirect interest.

**Brief Description:** Permitting licensing retail alcoholic beverages in which no manufacturers, importers, or wholesalers have an interest.

**Sponsors:** Senators Schow, Newhouse, Horn and Heavey.

**Brief History:**

**Committee Activity:** Commerce & Labor: 2/3/98, 2/6/98 [DPS].

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** That Substitute Senate Bill No. 6648 be substituted therefor, and the substitute bill do pass.

Signed by Senators Schow, Chair; Horn, Vice Chair; Franklin, Fraser, Heavey and Newhouse.

**Staff:** Patrick Woods (786-7430)

**Background:** Under Washington's tied house- law, alcohol wholesalers, manufacturers and importers are prohibited from engaging in the retail liquor business. Similarly, this prohibition extends to financial interests by these sectors in the retail activities of the liquor industry. The intent of these restrictions is to prevent inappropriate or coercive business practices among the various sectors of the liquor industry.

However, since these prohibitions were established in 1935, numerous exceptions have been provided under specific circumstances. These include: (1) state or federally chartered banks with financial interests; (2) on site brewery and winery sales; (3) individuals selling a wholesale liquor business under contract; (4) firms operating an exploration cruise line; (5) individuals operating a brew-pub; and (6) individuals operating an amphitheater with live entertainment.

**Summary of Substitute Bill:** An additional exemption to the tied house- statute is provided to include a corporate entity with financial interests in retailing and wholesaling, manufacturing and importing liquor products, provided the corporate entity does not influence its related business activities or offers for sale any liquor products that are produced or distributed by a subsidiary. A corporation may use various methods of financing in connection with the construction or operation of its facilities.

**Substitute Bill Compared to Original Bill:** The exemption to the tied house- is structured so as to allow a corporation with interests in a liquor wholesaler, manufacturer or importer,

or retailer provided they do not offer for sale any liquor products that are produced by a subsidiary. Corporations that are provided an exemption are also permitted to use various financing methods in connection with the construction or operation of their facilities.

**Appropriation:** None.

**Fiscal Note:** Requested on February 2, 1998.

**Effective Date:** July 1, 1998

**Testimony For:** This bill will allow Bass PLC to operate their lodging establishments which have liquor for sale.

**Testimony Against:** This exemption further erodes the tied-house principle that safeguards against coercive business practices.

**Testified:** Bill Fritz, Corein Houchins, Bass PLC (pro); Jim Halstrom, Jos. E. Seagram & Sons, Inc. (pro); Nate Ford, Washington State Liquor Control Board; Dick Ducharme, Washington Beer and Wine Wholesalers Association (con); Stu Halsan, Coors Brewing (con).