

HOUSE BILL REPORT

SB 5994

As Reported by House Committee On:

Commerce & Labor

Title: An act relating to removing suppliers and distributors of wine from the provisions of chapter 19.126 RCW.

Brief Description: Removing suppliers and distributors of wine from the provisions of chapter 19.126 RCW.

Sponsors: Senators Hewitt, Reardon, Honeyford, Haugen, Rossi, Hale, Mulliken and T. Sheldon.

Brief History:

Committee Activity:

Commerce & Labor: 3/27/03, 3/31/03 [DP].

Brief Summary of Bill

- Removes wine manufacturers, suppliers, and distributors from the provisions of the law that define the business relationships between beer and wine suppliers and distributors.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 9 members: Representatives Conway, Chair; Wood, Vice Chair; Chandler, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Crouse, Holmquist, Hudgins, Kenney and McCoy.

Staff: Matt Cooper (786-7106).

Background:

Wineries, wine suppliers, and wine distributors must be licensed by the Liquor Control Board (Board). A *wine supplier* is a winery or wine importer that supplies wine to a wholesale distributor. Domestic wineries and any winery producing less than 300,000 gallons of wine per year are excepted from the definition of wine supplier. A *wine distributor* is a business that buys wines at wholesale from wineries and wine importers and resells the wine to wine retailers. A *wine manufacturer* is a winery that makes or

bottles wine.

The relationship between beer and wine suppliers and distributors is governed by Chapter 19.126 RCW. Agreements between wine suppliers and distributors must be in writing.

Wine suppliers must reimburse the costs of distributors if they fail to deliver the product agreed upon. Wine suppliers may not force a distributor to accept any product that it has not ordered.

Wine distributors must use their best efforts to distribute the supplier's wine effectively and in a manner that maximize sales and ensure the quality of the wine. Any changes in the agreement between the parties must be in writing with prior notice to the other party.

In *Mt. Hood Beverage Company vs. Constellation Brands*, No. 7288-8, (Wash. Feb. 20, 2003) an out-of-state wine supplier alleged that Chapter 19.126 RCW violates the Commerce Clause of the U.S. Constitution because it favors in-state wineries and discriminates against out-of-state suppliers. On February 20, 2003, the Washington Supreme Court declared Chapter 19.126 RCW unconstitutional because it violated the Commerce Clause.

Summary of Bill:

Wine manufacturers, suppliers, and distributors are removed from the provisions of Chapter 19.126 RCW.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: The current law governing the business relationships between beer and wine suppliers and distributors has been in existence since 1984. The Washington Supreme Court struck down this law as it applies to wine distributors. This bill will remove wine suppliers and distributors from the law and allow it to continue to govern the relationships between beer suppliers and distributors.

This bill will not change any of the current relationships between beer suppliers and distributors and will continue the current law which provide certainty and security to these business relationships.

Testimony Against: None.

Testified: Senator Hewitt, prime sponsor; Ron Main, Washington Beer and Wine Wholesalers Association; Steve Gano; Miller Brewing Company; and Jean Leonard, Washington Wine Institute.