

SENATE BILL REPORT

SB 5248

As Reported by Senate Committee On:
Commerce & Labor, February 18, 2015

Title: An act relating to performance of personal services by liquor industry members to retailers.

Brief Description: Expanding authorized personal services by liquor industry members to retailers. [**Revised for 1st Substitute:** Concerning performance of personal services by liquor industry members to retailers.]

Sponsors: Senators Honeyford, Conway, Rivers, Keiser, Warnick, King and Braun.

Brief History:

Committee Activity: Commerce & Labor: 1/28/15, 2/18/15 [DPS, DNP, w/oRec].

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: That Substitute Senate Bill No. 5248 be substituted therefor, and the substitute bill do pass.

Signed by Senators Baumgartner, Chair; Braun, Vice Chair; King and Warnick.

Minority Report: Do not pass.

Signed by Senator Hasegawa, Ranking Minority Member.

Minority Report: That it be referred without recommendation.

Signed by Senators Conway and Keiser.

Staff: Richard Rodger (786-7461)

Background: Washington's tied house laws regulate the relationship between liquor manufacturers, distributors (industry members), and retailers. In general, tied house laws are meant to regulate how liquor is marketed and prevent the vertical integration of the three tiers of the liquor industry. The general rule is that no industry member may advance and no retailer may receive money or money's worth under an agreement or by means of any other business practice or arrangement.

There are numerous exceptions to the tied house laws. One exception allows domestic wineries to perform personal services such as participation and pouring, bottle signing

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events, and informational or educational activities, at the premises of certain retailers and those holding special occasion licenses or private club licenses.

Another exception allows domestic breweries, microbreweries, and beer certificate holders to perform personal services, but only at the premises of grocery store licensees with a tasting permit.

Distillers, importers, manufacturers of spirits, and spirits importers to retailers are not authorized to perform personal services.

Summary of Bill (Recommended Substitute): Domestic wineries, breweries, and microbreweries may also perform enhanced packaging promotions, such as bottle engravings, as part of their personal services. Enhanced promotional packaging must meet state and federal standards on labeling, pricing, the money's worth requirement, and the prohibition on undue influence.

Domestic breweries or microbreweries may also conduct personal services for beer and/or wine specialty shop licensees.

Distillers, importers, manufacturers of spirits, and spirits importers to retailers are authorized to perform personal services on the premises of a grocery store holding a tasting permit or at a beer or wine specialty shop that holds a spirits retail license.

The personal services authorized for any industry member may be performed by an agent of the industry member.

EFFECT OF CHANGES MADE BY COMMERCE & LABOR COMMITTEE (Recommended Substitute): Adds a new subsection clarifying that enhanced promotional packaging must meet state and federal standards on labeling, pricing, the money's worth requirement, and the prohibition on undue influence.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: We are seeking parity with all other retailers to market their products and perform personal services. We support the amendment recommended by the Liquor Control Board (LCB) regarding definitions relating to enhanced packaging and promotions. The bill does not erode the three-tier system. These provisions currently exist for beer and wine, and as a matter of fairness should be expanded to spirits. The agent provision in the bill allows a third party to be hired to assist with a tasting versus having a winery send an employee here from California.

CON: This bill will have significant and notable impact on the marketplace. The bill will dramatically expand the number of tastings conducted in the state, as the suppliers will provide those services at no cost. The bill will effectively create a pay-to-play situation where the large players in the market can provide free services and demand preferential treatment. The prohibition against money's worth protects the markets and the consumers.

OTHER: We have concerns about how the bill is written in regard to the promotional packaging. We would be neutral on the bill if our recommended amendment is adopted. We are seeking consistency in education and enforcement in all areas.

Persons Testifying: PRO: Edward Cooper, Cindy Zehnder, Total Wine & More; Charlie Brown, Diageo.

CON: Scott Hazlegrove, WA Beer & Wine Distributors Assn.

OTHER: Justin Nordhorn, LCB.