

SENATE BILL REPORT

SB 6324

As of February 23, 2016

Title: An act relating to authorizing preferential pricing for spirits and wine sold to on-premises licensees.

Brief Description: Authorizing preferential pricing for spirits and wine sold to on-premises licensees.

Sponsors: Senators Rivers, Cleveland, Conway, Keiser, Nelson, Schoesler and Hewitt.

Brief History:

Committee Activity: Commerce & Labor: 1/29/16.

SENATE COMMITTEE ON COMMERCE & LABOR

Staff: Jarrett Sacks (786-7448)

Background: In 2011, Washington voters passed Initiative 1183 (I-1183), which privatized the sale of spirits in the state. I-1183 prohibits manufacturers of liquor, distilleries, breweries, and domestic wineries from discriminating in price when selling to any purchaser for resale in the state. Differences in price based on competitive conditions, costs of servicing a purchaser's account, efficiencies in handling goods, or other bona fide business factors are not prohibited, so long as the price differentials do not violate other trade regulation laws. "Price discrimination" is a pricing strategy where a provider sells identical or largely similar goods or services at the same time to different purchasers at different prices.

An "on-premises retailer" is an authorized license-holder permitted to sell liquor to consumers for consumption on the licensed premises. An "off-premises retailer" is an authorized license-holder permitted to sell liquor to consumers for consumption away from the licensed premises. On-premises retailers include licensed restaurants and bars. Off-premises retailers include grocery stores that are licensed to sell liquor.

Summary of Bill: A manufacturer of liquor, distillery, brewery, or domestic winery offering a different price to on-premises retailers than the price offered to off-premises retailers is lawful, so long as the price offered to an on-premises retailer is reasonably available to all other on-premises retailers, and the price offered to an off-premises retailer is reasonably available to all other off-premises retailers.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A statute entitling certain on-premises retailers to a discount of at least 15 percent on the purchase of spirits from state liquor stores is repealed.

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: PRO: The bill reinstates the discount provided to retailers that existed before I-1183. The bill allows channel pricing, which is a common practice in other privatized states. The law is silent on channel pricing, but new Liquor Cannabis Board rules prohibit this common practice. There is pending litigation, but that will take too long to resolve the matter.

CON: The law already allows channel pricing for legitimate business reasons. Different prices for the same bottle of liquor is price discrimination, not channel pricing. The bill hurts former state liquor stores. The bill takes a step back by re-instituting uniform pricing and increases the state's role in price regulation. The pending litigation is a better solution.

Persons Testifying: PRO: Ron Main, Washington Association of Wine and Spirits Distributors; Rowland Thompson, The Wine Institute.

CON: Bruce Beckett, WA Restaurant and Lodging Association; Brad Tower, Washington Liquor Store Association.

Persons Signed In To Testify But Not Testifying: No one.