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May 23, 2018

### SAVE THE DATE

#### JUNE 3-5, 2018

**2<sup>ND</sup> Annual Beverage Alcohol Retailers Conference** - Denver, Colorado  
Registration is open and sponsorship information is available at [www.BevRetailersConference.com](http://www.BevRetailersConference.com).

#### JULY 18-20, 2018

**8<sup>th</sup> Biennial Northwest Alcohol & Substance Abuse Conference**  
Riverside Hotel, Boise Idaho

The Pre-Conference Sessions are on Wednesday. The official conference kicks off Thursday morning. Visit [NorthwestAlcoholConference.org](http://NorthwestAlcoholConference.org) for more information.

### NABCA HIGHLIGHTS

**New! The Public Health Considerations of Fetal Alcohol Spectrum Disorders (Whitepaper)**

**Native American Nations & State Alcohol Policies: An Analysis**

**Alcohol Technology in the World of Tomorrow - (White Paper)**

**The Control State Agency Info Sheets.** Please view website for more information.

**NABCA Survey Database** (members only)

**Upcoming NABCA Meetings**

**Statistical Data Reports**

[www.NABCA.org](http://www.NABCA.org)



## NABCA NEWS

### A Full Day of Presentations for NABCA's Annual Conference -- "Bridging Divides"

NABCA

May 23, 2018

NABCA Chairman and Michigan Liquor Control Commission Chairman Andy Deloney, extended a warm welcome to Tuesday's attendees recognizing and acknowledging his fellow board members for their professionalism and accomplishments, and NABCA staff for their responsiveness and quality of work for the association. He thanked CEO Jim Sgueo for his ability to work with and effectively communicate with every director that has served on the board, despite varying political philosophies, habits and tendencies. He reflected upon the influences that resulted in his vision for the theme, "Bridging Divides," for the 81st Annual NABCA Conference. He credited Jeff Anderson for being a mentor that inspired him to "want to go further to further engage, to dig even deeper in our efforts to build and maintain strong relationships with our supplier partners" and other stakeholders. In his role as soon to be past chairman, he also recognized Virginia's Jeff Painter as the incoming chairman and Wyoming's Dan Noble as the chairman elect. Mr. Deloney reflected upon the activities that occurred during his tenure and how these activities helped to "Bridge Divides" as communication and understanding with others in the alcohol landscape must continue for effective management of alcohol.

Mr. Deloney then introduced the keynote speakers of General Session I, who offered a geopolitical picture of the world, which through technology has become a smaller place today than years ago. Summaries of this presentation and others from the day are below:

#### A World View (General Session I)

American Journalist and novelist David Ignatius started with a humorous anecdote from one of his travels where upon introducing himself as a journalist to someone, their response was "is your first name 'Fake'." He then went on to share about his experiences at three recent international meetings – Abu Dhabi, Brussels, and Syria – and closed with the comment that the world still needs American Leadership, and that the US cannot walk away from this role because there will be a high cost if we do.

Retired Admiral James Stavridis also talked about international political influences and events that are affecting the world and expressed that the next emerging "tale of woe" will be in the form of cyber criminal activities. He cited several books the audience could read to become better informed and concluded that in addition to an Army, Navy, Airforce and Marine military to help protect citizens, that there will be a need for a "Cyber Force" in the next five years.

Retired Admiral James Stavridis has served as NATO's 16th Supreme Allied Commander Europe and 15th Commander of the U.S. European Command (2009-2013), Head of U.S. Southern Command (2006-2009), Dean of The Fletcher School of Law and Diplomacy at Tufts University, and Chief International Security Analyst for NBC News. David Ignatius is also an associate editor and columnist for The Washington Post. He also co-hosts PostGlobal, an online discussion of international issues at Washingtonpost.com, with Fareed Zakaria.

#### Bridge to Tomorrow (Business Session I)

In the first business session of the conference, moderator and outgoing NABCA chairman Andy Deloney asked four industry representatives a series of questions relating to alcohol consumption and trends. The questions posed also solicited audience responses, via the NABCA events app. The responses of the panelists and that of the audience were sometimes spot on and other times, quite different.

Panelists were:

- Michael Johnson, Chief Executive Office & Co-Owner, Johnson Brothers
- Julious Grant, Chief Commercial Officer, US, Beam Suntory Inc.
- Lynda M. Webber, President & Chief Operating Officer, Hood River Distillers, Inc
- Craig Purser, President & CEO, National Beer Wholesalers Association

To follow are a couple of the questions and the respective responses. Please note that the writer tried to capture responses verbatim where possible. In some instances, the responses are paraphrased.

- Question: Does consolidation in the wholesale tier...
- Response choices:
  - o Protect the three-tier system
  - o Jeopardize the three-tier system
  - o No impact

Julious: Protect the three-tier system because wholesalers will be efficient at adding certain needs and building end to end capabilities as they consolidate and partner with suppliers to address how to get brands in front of consumers.

Lynda: No impact because the best thing that has happened to the industry is the three-tier system. That is how small companies have survived. Smaller companies producing one product may not have the capacity to compete with a supplier that has 57 varieties, but the smaller company will survive in the marketplace.

Michael: No impact because consolidation happens in any industry in America. By acquisition is how a business becomes bigger and better. There is room for smaller wholesalers to come in to the business.

Craig: It could be a combination of protection or jeopardizing. It depends on how the industry behaves. While it may not be perfect, the three-tier system is designed to protect the public interest and serves a higher purpose.

Fifty percent of the audience chose that consolidation in the wholesale tier will jeopardize the three-tier system.

- Question: Will American Whiskey continue its rise and replace vodka as the category leader in...
- Response choices:
  - o 2 years
  - o 5 years
  - o Won't happen

Lynda: Won't happen because vodka has had a huge lead over whiskey for too long.

Julious: In 5 years because consumers are looking for it. There is continued innovation with the product that provides consumers with the choices they are looking for. They want brands that have a story or a uniqueness. Whiskey will overtake vodka.

Craig: Won't happen because vodka is a versatile liquid that can go into so many drinks. It will continue to be a leader.

Michael: Won't happen because vodka makes up over 30 percent of the spirits category. It has become popular with millennials. Whiskey will rise, but vodka will retain the lead.

The majority of the audience said that vodka will remain king and whiskey won't replace vodka as the category leader.

## Building Bridges (Seminar I)

During this session, prevention, public health and industry panelists talked about building personal relationships and why this matters to communities. Moderator and NABCA board member Jeff Anderson set the tone for the three speakers. He noted communication among individuals from the prevention and industry sides can prove beneficial for education about alcohol and prevention of public harm. Pat Bird, director of operations, Utah County Department of Drug and Alcohol Prevention and Treatment kicked off the presentation and addressed where individual state prevention systems fall; usually under the department of health and human services. He cited examples of community collaborations with the Utah DABC and local retailers who have all worked together to address an issue such as preventing underage drinking. He noted that although the initial attempt to work with prevention specialists may be challenging, they are willing, and the conversation may prove successful.

John Bodnovich, executive director, American Beverage Licensees addressed several points including similarities between independent and control retailers, understanding constituencies, disruptions in the marketplace (for instance e-commerce), building the right bridge, and retailer relationships with control states. He said independent retailers have a record of supporting the 21st Amendment and states' rights in determining their alcohol laws. He added that while independent and control state retailers may not agree on everything, they have learned to work things out for the benefit of all.

Presenter Marianne King, grant project director, Idaho Office of Drug Policy, began her discussion by saying, "Building partnerships and building bridges can take you places you could never go on your own." She cited several programs and showed examples of the promotion used for some of her agency's initiatives, including BeTheParents.org and a sticker shock campaign. She recognized the Idaho State Liquor Division for their successful mini grant program, which has been valuable to many coalitions in the state.

## Customer Service Solutions (Seminar II)

NABCA director and director of the Utah Department of Alcohol Beverage Control, Sal Petilos set the stage for speaker Tom Shay, principal, Profits Plus Solutions, Inc., to talk about customer service and the qualities it takes for employees to meet and deliver a good and sometimes exceptional experience to customers. He cited several questions a store owner or manager need to consider when giving instructions to employees to follow through on a task. Some of them include whether there is a reward for the person completing the task or a penalty for poor performance? Does the person have the skills to do the work? Examining if you are asking the person to do the task because you cannot do it? Is there enough time and the necessary tools to complete the task? Do you check on the progress of the task or wait until the staff member tells you they are done? He also gave examples of games that can teach employees how to interact with customers that will get positive results. He shared that looking customers in their eyes offers them a recognition of their presence and will result in engaging them in your business environment. He added it is what you say and how you say it that wins customers over.

Wednesday will conclude the conference with a keynote address from Peter Ricchiuti, professor of economics at the Freeman School of Business at Tulane University, along with business sessions and seminars. Summaries of these presentations will be offered in Thursday's Daily News Update.

## CONTROL STATE NEWS

**PA: Liquor by the drink levy could be casualty of fight against Philly soda tax**

WHYY

By Tom MacDonald

May 22, 2018

A bill in Harrisburg aimed at stopping Philadelphia's tax on sweetened beverages could cause some collateral damage — and cost the city schools money another way.

Philadelphia's 10 percent tax on liquor sold by the glass, in effect for more than a decade, generates between \$40 million and \$60 million annually — exclusively for city schools.

If a bill designed to end the sweetened beverage tax were approved in Harrisburg, City Council President Darrell Clarke said, the liquor tax could also be challenged.

"Losing that would be significant money that we've already counted on," he said. "It's produced a significant amount of revenue over the years."

Clarke said he has heard no complaints about the alcoholic drink tax in years.

"To a degree, it's a voluntary tax. If you don't buy a drink or the liquor, you don't have to pay the tax," he said.

City Council is working with lawmakers in Harrisburg in an effort to avoid revocation of the 1.5 cents per ounce tax on the supply of sweetened beverages — including regular and diet sodas and teas — to retail dealers. Revenue from the tax has been earmarked for expanding pre-K and other city investments in libraries and recreation.

## LICENSE STATE NEWS

### **KY: List of wet and dry Kentucky counties as Powell County makes decision on alcohol sales**

WKYT

By WKYT News Staff

May 22, 2018

POWELL COUNTY, Ky. (WKYT) - As Powell County voters head to the polls to determine whether to legalize alcohol sales, here is a map of the current wet and dry counties in Kentucky.

[Click here for a higher-resolution PDF.](#)

### **GA: Metro Atlanta city approves drive-thru liquor stores**

WSB TV

By Amanda C. Coyne, The Atlanta Journal-Constitution

May 22, 2018

GWINNETT COUNTY, Ga. - You soon may not have to leave your car to pick up a bottle of your favorite liquor.

The Lilburn City Council approved an ordinance to allow drive-thru liquor stores during its May 14 meeting.

The ordinance allows liquor stores in the city to install service or drive-thru windows, providing the window has a canopy overhead and is visible from the street or sidewalk.

The ordinance was approved 3-0 after being tabled during an April meeting.

At least one Lilburn liquor store has already requested to install a drive-thru window. 29 Package Store, located on Lawrenceville Highway, has submitted the request but has not yet begun work on it.

Drive-thru liquor stores are fairly common in South Georgia, but less so in metro Atlanta.

There are a handful in DeKalb County, including Pitch and Putt Liquor Store on Johnson Road in Druid Hills.

Package stores are banned in some Gwinnett County cities, including Lawrenceville and Snellville.

The city of Berkeley Lake approved liquor sales in a 113-18 vote in November 2017.

There are no liquor stores in unincorporated Gwinnett County, according to spokesman Joe Sorensen.

## INTERNATIONAL NEWS

### United Kingdom: Social media should be age restricted like cigarettes and alcohol to protect children from online harm, MPs told

The Telegraph

By Jack Maidment, political correspondent

May 22, 2018

Children under the age of 16 should be banned from using social media to prevent them from harm in the same way that they are not allowed to buy cigarettes or alcohol, MPs have been told.

Matt Hancock, the Culture Secretary, suggested earlier this month that Facebook and other social media websites should require parents to confirm that their children are over the age of 13 before they are allowed to use the platforms.

Campaigners have now called for the Government to go further and to impose effective age verification and enforcement measures to prevent children from accessing pornography, violent content or other harmful material.

Meanwhile, charity bosses have urged ministers to introduce digital literacy training for parents so they know what their children are doing online.

It comes amid fears “parents are terrified of the internet” and are “crying out for more help”.

Mr Hancock criticised social media websites for only requiring children to tick a box to confirm that they are over the age of 13 as he said it was now “one of the hardest times to be a parent”.

The minimum age for Facebook users is 13, but surveys suggest that three-quarters of children aged between 10 and 12 have social media accounts.

Concerns have been raised about the potentially harmful effect social media can have on young people and campaigners told the Science and Technology Select Committee that more needed to be done to address the issue.

Asked if the Government should find ways of imposing age verification, Duncan Stephenson, from the Royal Society for Public Health charity, suggested social media should be treated in the same way as the sale of tobacco and alcohol.

He said: “Absolutely. I work for public health and if you were to take parity of esteem, if there are issues around young people’s mental health and wellbeing where it has been affected by social media, why should it be treated any differently to other risk factors like smoking and drinking?”

“Yes, there are positives around social media but we should look at how we can graduate usage, particularly for those who are vulnerable under the age of 16.”

Carolyn Bunting from the Internet Matters group which aims to keep children safe online stressed the importance of education but also backed the use of more technology.

She added: “We would equally welcome technical solutions in that space. I think it’s great to have a backstop for parents so parents have something to rely on.

“But I think ultimately this is about educating our young people to behave online and that the environments that we have offline should be the same that we have online.”

Meanwhile, Sue Jones from the Ditch the Label anti-bullying charity said parents needed digital literacy training so they are better prepared to protect their children from online harm.

She told MPs: “I think there is a need for parents to really be involved in that. I am not sure whether the school [could do the training], because they are already hugely overworked, many teachers, I am not sure it is right for them or who would be best placed to deliver it.

“But there is definitely a need for it. Parents are terrified of the internet.”

Ms Bunting added: “Overwhelmingly parents are just crying out for more help in this area. I think we need clearer, more succinct guidance and we need the equivalent of public service broadcasting.

“I don’t know how we make that happen but we need to be motivating parents to get involved, giving them the right advice so they can help support their children.”

## PUBLIC HEALTH NEWS

### Drug and Alcohol Abuse: A Growing Problem for Those Growing Old

The Philadelphia Tribune  
May 22, 2018

Misuse and abuse of drugs and alcohol among the elderly is one of the fastest growing health problems in the U.S., according to the Substance Abuse and Mental Health Services Administration (SAMHSA), yet it can often be mistaken for normal aging behavior.

The statistics are alarming: according to The National Council on Alcoholism and Drug Dependence, Inc., 2.5 million older adults have an alcohol or drug problem; while a SAMHSA report shows that the use of illicit drugs, combining drugs with alcohol, and the nonmedical use of pharmaceuticals, results in an average of nearly 300 emergency room visits nationwide each day for those aged 65 and older.

Despite these disturbing trends, substance abuse among the elderly often goes unrecognized and untreated. According to “The Tough Talk: Aging Parents and Substance Abuse,” a new survey commissioned by WellCare Health Plans, Inc., adult children of elderly parents know very little about the drugs and alcohol their parents consume, and three-quarters say it’s possible that they may not even know if their parent had a substance abuse problem, likely mistaking the signs — such as slurred speech, dozing off and confusion — for normal behaviors of aging.

“While family members may not feel equipped to identify an abuse problem, they are often the ones who can best spot changes in behaviors that could indicate one exists,” said Kevin Middleton, Psy.D., vice president, behavioral health, WellCare. “Given the serious consequences that overuse or abuse of drugs and alcohol can have on seniors, it’s important to look for those signs and also ask questions that will help determine if and what kind of help is needed.”

Dr. Middleton advises those with aging loved ones to be aware of the following.

- **Life Changes Can Trigger Abuse:** Retirement, the death of a spouse or dear friend, the loss of a pet and other significant life events, are times when the elderly are most likely to begin misusing or abusing drugs and alcohol.
- **Signs of a Potential Problem:** Many older people will hide their problem out of shame, and while substance abuse can mimic symptoms of other diseases, always consider the possibility of abuse if there are any major changes in behaviors, such as loss of interest in hobbies, activities or socializing, as well as changes in appetite and sleeping habits. Other signs to be aware of are noticeable memory loss, slurred speech and confusion.
- **Asking Questions is the First Step:** At times when loved ones appear sober and alert, start asking questions about their use of drugs and alcohol and if they think they have a problem. Speak frankly about your concerns and the risks of substance abuse, but also be sympathetic to the difficulties with which they’re dealing.
- **Seek Help:** If you do suspect a substance abuse problem, contact his or her health care provider and discuss the best approach to getting appropriate treatment.

For more tips and information on managing substance abuse for aging parents, visit WellCare's blog at [tinyurl.com/ycu6e7g2](http://tinyurl.com/ycu6e7g2).

Identifying substance abuse can be challenging, particularly when it comes to the elderly. However, addressing the issue quickly is critical. If you've detected signs of a problem, start by asking the right questions. — (StatePoint)

## INDUSTRY NEWS

### The WSET Wants More Women To Work In The Drinks Industry

*The Wine and Spirits Education Trust (WSET) has partnered with Women of the Vine & Spirits to encourage more women to work in the drinks trade*

The Drinks Business

By Edith Hancock

May 23, 2018

The mutual alliance aims to “improve the visibility of progression paths and opportunities for women in the wine and spirits industry,” according to the WSET's statement.

Women of the Vine & Spirits is a lobbying body which provides scholarships and awards to women so that they can advance in their careers in the food, wine, spirits, hospitality, or viticulture industries.

Members of the organisation can also purchase discounted tickets for round-tables, panel discussions and talks with industry leaders and firms which have corporate memberships with Women of the Vine, such as Champagne house Krug, whose CEO Maggie Henríquez is due to speak at an event in San Francisco on 31 May.

The WSET — the largest academic network in the drinks trade — will become a corporate member of Women of the Vine, offering access to its education materials and events.

In return, Women of the Vine & Spirits will also become WSET's 49th Corporate Patron, following the path of companies such as Berry Bros & Rudd and Sainsbury's which provide funding to the WSET so it can further develop its courses and qualifications, as well as maintain and advance its online global campus and professional membership body for graduates.

WSET Diploma students and alumni will be entitled to 20% off Women of the Vine & Spirits membership. In addition to membership benefits, members of Women of the Vine & Spirits are eligible to apply for scholarships through the Women of the Vine & Spirits Foundation.

the news comes after a scientific study which found that women are actually more discerning wine tasters than men.

Deborah Brenner, founder & CEO of Women of the Vine & Spirits, said that education is “vital to empowering women.”

“We value and recognise the benefit that higher knowledge gives to an individual seeking to progress their career. We are thrilled to be working with WSET as a leader in the field and are excited for the new prospects our alliance will create for a successful future.”

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### Brewers Association, NBWA Request Hearing Prior to MegaBrew Final Judgment

Brewbound

By Justin Kendall

May 22, 2018

Nearly two years after the Department of Justice (DOJ) signed off on Anheuser-Busch InBev's (ABI) \$100 billion takeover of SABMiller, the government agency still has not completed its review of the merger.



The DOJ and ABI filed a joint motion on March 15 asking U.S. District Court Judge Emmet Sullivan to approve the “proposed final judgment.” However, several groups have objected to the judgment, as it is currently written, and are now seeking a hearing in order to resolve anti-competitive concerns.

On May 15, the Brewers Association (BA) and the National Beer Wholesalers Association (NBWA) filed a joint brief requesting a hearing be held prior to the completion of the DOJ’s proposed final judgement. In a separate filing, Consumer Action, a nonprofit consumer advocacy group, also supported a hearing.

Now it’s up to U.S. District Court Judge Emmet Sullivan to decide whether to grant a hearing or move forward with the DOJ’s modified proposed final judgment.

In their brief, the BA and NBWA said the DOJ’s final judgment, as proposed, “contains ambiguities and raises substantial questions” about enforcement and “cannot be deemed in the public interest.” A hearing, they argue, will allow the trade groups to “provide the court with necessary inside-the-industry information.”

According to the BA and NBWA, the proposed final judgment, as written, “will not sufficiently remedy the significant anticompetitive harm arising from this merger, including the growth of ABI’s incentive and ability to disadvantage its remaining rivals by impeding distribution of their beers.”

The BA and NBWA also pointed out that a considerable chunk of an independent ABI wholesalers’ business is tied up in ABI products, and those wholesalers cannot afford to lose the distribution rights to those brands. That means those wholesalers are incentivized to not do anything that ABI would consider “a lack of ‘best efforts’ towards ABI products.” The so-called “best efforts” standard, they argue, is “too ambiguous without additional clarification” and the language needs to be included in the final judgment.

In their brief, the BA and NBWA said several provisions in the proposed final judgment need to be modified in order to preserve competition, including how marketing and promotional spends are calculated. The groups said the marketing spend should be based on current revenue as opposed to previous revenue, in order to prevent ABI from locking in market share.

The BA and NBWA also disagreed with the DOJ’s 2016 decision to limit A-B’s ability to acquire beer distributors if doing so would “result in more than 10 percent of its annual volume being distributed through wholly-owned distributorships in the U.S.” According to the trade groups, ABI “could control a distributor even if it had less than fifty percent equity interest.”

Finally, the BA and NBWA objected to the DOJ shortening the enforcement term of the final judgment from 10 years to five years. Doing so, they argued, will have a “chilling effect on oversight.”

Meanwhile, Consumer Action filed a similar brief on May 15 arguing in favor of maintaining the 10-year enforcement period of the final judgment as well as prohibiting ABI from acquiring wholesalers for a decade.

“If there’s any ambiguity in the language, it makes it much more difficult for the antitrust division to enforce the settlement agreement and makes it more difficult for the industry participants to compete going forward,” Andre Barlow, who represents Consumer Action and previously worked as a DOJ attorney, told Brewbound

Consumer Action’s brief added that the DOJ should “include clearer and broader prohibitions against ABI’s attempts to curb the promotion and distribution of rival beer [products].” If not, the group argued, “ABI will be able to tweak incentive programs offered to aligned distributors” and diminish the attention those wholesalers give to competitors’ offerings.

Earlier this month, the DOJ rejected assertions made in a brief by D.G. Yuengling & Son Inc. about its investigation into whether ABI violated the proposed final judgement by redirecting the sale of an independent distributor in Mississippi. In defense of its review, the DOJ said it, and the monitoring trustee, interviewed “multiple industry participants, including beer brewers and independent distributors” and requested and reviewed “thousands of pages of documents and other information.”

The DOJ concluded in the May 11 retort that the court should proceed with entering the final judgment.

## DAILY NEWS

### When Suppliers Morph into Retailers

Healthy Alcohol Marketplace

By Pamela S. Erickson, CEO

May 22, 2018

When I started as an alcohol regulator, Oregon had many small wineries producing good wine—some of which was world class. But most wineries were very small and sometimes had difficulty “getting their product to market.” These wineries felt they needed to develop a market before a distributor would be interested in partnering, and/or they feared getting lost in the portfolio of larger wine and spirit distributors. One method they pursued was selling their products at local festivals.

Some of these festivals got out of control. It turned out that wineries were inexperienced and unskilled in responsible serving practices. Attendees got intoxicated after having too many “tastes” and minors were served.

Eventually, we developed rules for festivals that included limits on servings and the size of a “taste”, requirements for server training and other responsibility measures. As a result, these events became less of a problem.

Responsible retailing of alcohol is exceptionally important. We rely on our retail licensees to prevent sales to minors and intoxicated persons. This takes skill in observation, judging age, checking ID, knowing the signs of intoxication, and handling very delicate situations.

But now we face another situation where suppliers are entering the retail business, sometimes without the training or skills needed for good retailing. Today, we have over 6,000 breweries, the majority of which are small microbreweries or brew pubs. They may perceive similar challenges “getting their product to market,” or have developed a business model selling their product direct to consumers from a tap room. It is not uncommon for these tap rooms to become full-fledged restaurants and entertainment venues. Rather than have some people come in and taste the product for possible future sale, their model entails large numbers of customers drinking substantial amounts of product.

To accomplish this evolving business model they often approach policy-makers to add license privileges as a way to increase their business success. And, sometimes, training on good serving practices was not included as a requirement.

#### Conflicts with other licensees

Because most wineries grow grapes, their tasting room is usually in a rural area. This generally means the customer base is not large enough to operate a full-scale restaurant. While some wineries have sought to become competitors for tourism and weddings, most now rely on “tasting fees” to offset tasting room costs.

The situation is different with breweries. The tap rooms that morph into pubs and restaurants are usually located in urban areas. This makes them direct competitors with local bars and restaurants. In some cases, the retail licensees paid a lot of money for their license. In other cases, a business could not get an alcohol license because the state had a quota and none were available. Brewpubs or tap rooms often evolve into full-scale retail premises by getting changes to their license type which gives them special privileges. Sometimes there is no increase in the license fee nor did the premise have to pay to acquire a license.

This issue recently erupted in Alaska where bar owners objected to the special privileges for small operators. A news article stated, “[retailers] see the current laws that allow breweries and distillers to serve alcohol as disturbing what was once an even playing field, turning it into one that’s unfair. That’s because bar owners have to pay many thousands of dollars for their licenses. “

#### Cracks in the Three-tier System

We rely on licensed, independent wholesalers to prevent the kind of market domination which created major social problems before Prohibition. The wholesale tier is the key to preventing the vertically

integrated businesses which created these problems. That is why our Tied House Laws don't permit manufacturers to be in the retail business. Some policy makers have reasoned that it won't hurt the three-tier system if just a few small manufacturers operate differently.

But, several large beer companies have now purchased "craft" breweries with one or more tap rooms. This puts them instantly in the retail business with a greater ability to compete due to their access to large amounts of capital and extensive distribution systems.

Another issue involves tax collection and product tracking. In most states, this is the wholesaler's job. Allowing some licensees to operate outside this system means a state must set up a separate method to collect taxes and track product. Our three-tier system has worked well for decades. If we allow too much operation outside of this system, we run the risk of weakening it to the point of collapse.

It is also important to recognize that most of the small suppliers are successful because of the three-tier system. Not only does the middle tier prevent domination by large companies, trade practice regulations prohibit many strategies that would squeeze out the small guys. Large companies can't pay retailers for favorable shelf space nor can they work with a retailer to sell their product exclusively. Some states require that all products be sold to all retailers at the same price. These are common practices for other commodities and prevent small companies from "getting their product to market."

Suggestion:

So, What can a regulatory agency do about this situation? Here are some ideas:

Understand the marketplace, the alcohol industry and your local market. According to the Gallup Poll, the national rate of alcohol consumption seems pretty flat. The percent of people who drink declined slightly from 2016 to 2017, but the mean number of drinks per week increased slightly. In addition, the "craft" category is now crowded and revenue generation isn't what it has been in the past. So it's important to consider the impact of more alcohol outlets on existing businesses and public health.

During the process of license creation or modification, regulators should be a reliable resource to legislators and other policy-makers. While legislators may not accept all recommendations, they are likely to make the best decisions when presented with all of the facts. Therefore, it would be helpful to point out potential conflicts with other licensees and impacts on the three-tier system.

Regulators should also remind everyone about the critical importance of retailing responsibilities and the skills required.

It would be helpful to bring up the issues of the cost and need to maintain a separate method to collect excise taxes and to track products for safety reasons. And, it would be good to note that there may be additional costs for enforcement and licensing.

Finally, it is important to emphasize that regulations are there to protect public health and safety. It may be a good idea to enlist the help of public health and law enforcement to make the case for doing everything possible to reduce the high cost of alcohol harm to our youth and citizens.

Sources:

"Sample sales present snag for overhaul of state alcohol laws" by Andrew Kitchenman, KTOO and AlaskaPublic Media, May 7, 2018

"Special Rules for Small Brewers, Wineries and Distillers," by Pamela S. Erickson, available at [www.healthyalcoholmarket.com](http://www.healthyalcoholmarket.com).

[www.brewersassociation.org/statistics/number-of-breweries](http://www.brewersassociation.org/statistics/number-of-breweries)

<http://news.gallup.com/poll/1582/alcohol-drinking.aspx>

### More smartphone apps delivering alcohol

*A growing list of grocery stores, food delivery apps, and online retailers are now delivering alcohol straight to your door. Alcohol delivery has been a problem in the past with underage kids finding a way to get it. NBC Charlotte wanted to know if it's still happening.*

WCNC

Author: Fred Shropshire, Mitzi Morris

May 22, 2018

CHARLOTTE, N.C. -- A growing list of grocery stores, food delivery apps, and online retailers are now delivering alcohol straight to your door.

Alcohol delivery has been a problem in the past with underage kids finding a way to get it. NBC Charlotte wanted to know if it's still happening.

An NBC News investigation found not every alcohol delivery driver follows their company's rules. One driver gave the alcohol to a 13-year-old middle school student who answered the door. So did another one.

Underage drinking is a problem with real consequences. According to the state, every week, one person in North Carolina dies due to underage drinking.

A year after that NBC investigation, we wired a Charlotte home with five cameras to see if delivery drivers were doing a better job at upholding alcohol delivery policies.

This is Hiwot, 23, a former digital producer for NBC Charlotte. She ordered alcohol to be delivered.

"So it does pop up and say I will need to have an ID on the actual screen."

Delivery driver number one from Postmates asked for her ID. He had to scan the license before he could leave the order.

"Place the barcode in front of the camera until it's captured automatically."

Next, we ordered wine from Publix via the Instacart app.

"The order's on the way."

Instacart -- which also delivers from Total Wine, Food Lion and other local retailers -- had the widest delivery area.

The driver again asked for ID right away.

"He carded her."

Online retailer Amazon followed the rules, too.

We reviewed the policies for Amazon, Instacart and Postmates -- all say alcohol will not be left without proof of valid ID or if the customer appears intoxicated.

53 percent of 8th graders say it's 'fairly easy' or 'easy' to get their hands on alcohol. 71 percent of 10th graders agree. With local schools holding graduation ceremonies soon, Charlotte-Mecklenburg Police told us they will keep an eye out for underage drinkers.

## And If The Grocery Stores Were Selling Gin

The Siver Post

By Zack Stilington

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CANADA - Before the craze for spirits in quebec to the société des alcools du Québec (SAQ), the big players of the power and convenience stores would also like to lather on their tablets these products of the soil. What the law prohibits.

Saturday, The Sun argued that since the fiscal year 2013-2014, the sales of the products of the province of Quebec at the SAQ have jumped from \$ 36.3 million to \$ 61.8 million \$, an increase of 70 %. For spirits, such as gin, vodka or whisky, they went from \$ 19.2 million to \$37.9 million.

“Today, we can sell craft beers, ciders and wine, but no spirits,” said Yves Servais, general manager of the merchants Association convenience stores and grocers in Quebec, a collection that has over 1000 members.

“In recent years, we have placed the emphasis on the beers from quebec. This are the convenience stores, which have given a boost to the industry. [...] For wine, it is more problematic, because a number of vineyards do not have a production capacity large enough. By contrast, for the spirits, we would like to be able to contribute to the growth of the market. These are quality products. It would be necessary to make changes to the regulations,” he continued

The latter concedes that this battle against the government and the State-owned company to obtain an amendment to the law will not be an easy matter. “The SAQ, it is a monster, it is a State within a State. This will not be easy to win!”

### Open to the idea

Currently, the regulations do not allow convenience stores or grocers to sell spirits in quebec. There is still no permit from the genre. This measure is restricted to the SAQ.

At Loblaw, Metro and Sobeys, the perpetrators have not wanted to be wet directly on the subject. They preferred to give the floor to the Canadian Council of retail Trade (RCC), which is the voice of retailers in the country.

“Retailers have a wide range of local products that they offer to the consumers and they encourage the producers for many years. For example, the québec wines are arriving in stores as early as December 2016, following a legislative change,” recalls Marc Fortin, president, RCC-Québec. “They are, therefore, open to improve their offer of products, including alcoholic products and spirits are no exception. They can already be found in several grocery stores in the United States and in several countries in Europe. If the law allowed, and that a change to the legislation in force was made, the retailers would also spirits to consumers in québec,” he continued.

“The SAQ has an excellent distribution network. Is it that we could offer the two options? Maybe. This is done particularly in British Columbia ”

—Joel Pelletier, co-founder of the Distillery in the St. Laurent

In the last few days, of spirits producers have complained to the Sun the fact that they don't have the right “to the same privileges” as other players of the industry, such as wine. For example, several of them still may not sell their product to their place of production because of their permits “industrial”. To be able to do so, they must obtain a licence “craftsman”, as is the case for The Domaine Lafrance in Saint-Joseph-du-Lac. This means that the producer cultivates the raw material of his recipe.

However, this may change due to the proposed act, 170 which aims in particular to modernize the legal regime applicable to the liquor license.

To obtain the right to sell spirits in grocery and convenience stores, the co-founder of the Distillery in the St. Laurent, Joël Pelletier, is said to be open to the idea.

“The SAQ has an excellent distribution network. Is it that we could offer the two options? Maybe. This is done particularly in British Columbia,” notes the businessman. “The fact that there is a monopoly in Quebec, there are good and bad sides. [...] If a small distillery could sell in the markets of its region, it is certain that it would have an impact. I would be in favor. This is done in wine and beer, so why not do it with the spirits”, he says.

On the side of the Association of microdistilleries in Quebec, it indicates not having studied the question for the moment. “There was also the issue of public safety,” says Stéphan Ruffo, president.