Hello everybody and welcome to NABCAS webinar the three-tier system of alcohol control. Why do we have it and what are the benefits? This webinar will explain.

The three-tier system highlights the benefits of the system and explains how it works to foster public health and safety. If you are experiencing any technical difficulties, I encourage you to please contact Citrix customer service directly. Their phone number is 855-352-9002 and give them this webinar number, which is 148846107. Again, the webinar number is 148846107 so we expect this webinar to last one hour with room for Q&A.
the end if there are a lot of questions

and if there and if attendees don't mind

we may stay on a little longer and

please know that once the webinar begins

I'm not able to acknowledge receipt of

questions but know that Pam will answer

questions at the end and if you have

questions I invite you to look at the

chat window on the lower right corner of

your screen at the end of the

presentation I will ask the questions on

your behalf also this webinar is being

recorded and will be available later

through the napkin website I'd now like

to introduce you to Pam Erickson Pam is

a passionate leader on alcohol issues
Currently she owns public action management and Arizona's small business and operates an education campaign for a healthy alcohol marketplace from 1996 to 2003 she directed the Oregon Liquor Control Commission in 2003 she joined Oregon Partnership to direct leadership and media campaigns to reduce underage drinking her recent publications include alcohol deregulation by ballot measure in Washington State and issue briefs for States 2014 her other publications include the danger of alcohol deregulation the United Kingdom experience and safe and sound how the three-tier system of US alcohol regulation helps ensure safe products
and protects against revenue loss these reports explain how deregulation can lead to increased social problems such as high rates of underage drinking public order offences and alcohol-related disease recently Pam served as an expert witness in a key alcohol regulation case in Kentucky and California her educational materials are available at healthy alcohol market all one word calm Pam thank you very much for being our presenter today and I will turn the presentation over to you thank you so much Maggie it's a pleasure to talk with all of you this afternoon this is a very important topic but I have to say that as a regulator I came to
realize I didn't know as much as I
should about that topic when I left the
Liquor Commission after seven years and
joined Oregon partnership I had to
acquaint myself with all of the research
that says what's effective in controlling alcohol problems and I came
to realize that a three-tiered system and its structure of regulation was
really very important and I actually didn't understand it as well as I should
so eventually I came to develop this program to explain it to people in
relatively simple terms it is a very complex topic as I'm sure you will come
to see so the purpose of this webinar is
to explain the benefits of the
three-tier system and how it works to
foster public health and safety that
objectives are
going to describe the system and why it
was developed I’m going to explain how
it works to enhance basic system
strategies designed to reduce problems
and indicate the unique benefit of this
system for the industry and the public
so the first question is what is the
three-tiered system as an analogy I like
to think about it as the foundation when
you have a house when you buy a house
you have the foundation inspected you
realize how important the foundation is
but over the years you kind of forget
about it and that's kind of what we have with the three church system our three-tiered system is the foundation for our alcohol regulations but we tend to focus on some of the other regulations and forget about what's happening with the three-tiered system technically the three-tiered system is a regulatory structure that involves a closed system of product sales so all alcohol products start with a manufacturer or supplier that's licensed they can only sell to a licensed distributor that distributor in turn can only sell to a licensed retailer each tier is usually required to be independent of one another so it's a
very comprehensive system that protects the products flowing through it as you will see in a little bit next why was it developed well after prohibition we address the task of developing regulations and there were two dramatically different experiences that we drew upon one was the situation before prohibition which was basically a very poorly regulated market if it were regulated at all then during Prohibition it was a completely illegal market fortunately we had a study to help guide the development of our regulations called toward Liquor Control not talk more about that in a minute but first
let's go back in history and let's look

at what happens before prohibition this

slide has a quote from a university of

washington historian who specializes in

alcohol history his name is Bill

rohrbaugh and he characterized the

situation as for generations American

Americans have been heavy drinkers and

by 1900 saloons were identified with

political corruption gambling crime

poverty and family destruction it was

propelled by something called the tied

house system it was a system where of a

series of national manufacturers would

own retail establishments and these

manufacturers required that these retail

establishments only sell their products
so Brand X manufacturer would own brand X retailer and the only beer or products you could buy there were from Brand X and so you had a multitude of saloons in local communities because each manufacturer had their own retail establishment because these were large national companies they were really a a part of the local community they use very very aggressive sales tactics they were only interested in the bottom line in selling as much alcohol as possible and they use a lot of its senses as incentives again gambling prostitution a lot of times they were located in areas where there were a lot of workers factory workers who would be encouraged
to go to the saloon after work and they could pledge their monthly paycheck for their bar and sometimes after the end of the month there was nothing left for the family of their parish paychecks it engendered a lot of social problem and fostered the the solution which was really quite an extreme solution of prohibition the second experience that we had was with an illegal market prohibition has been characterized as a failure but it does not fail in some ways a consumption was reduced and the public order problems that you had outside the saloons were really eliminated but it drove drinking
underground and spawned a nationally

organized crime sent syndicate that were

employed to supply alcohol there were

also a lot of loopholes that where you

can legitimately buy alcohol if you had

a medical problem or you had a religious

purpose for it it well it did reduce

consumption in some problems it became

very unpopular and eventually was

repealed when it was repealed the

statute there that the constitutional

measure which repealed it gave the duty

to regulate alcohol primarily to the

state and so the states had the duty to

regulate alcohol but few people really

knew how to do that and fortunately

there was a book called toward Liquor
Control that was a write-up of a study that was done by two men from Boston. His model that surveyed many countries and looked at different models of regulation and proposed two different systems: a control system and a license system but primarily they were interested in ensuring that the problems that occurred both during and before prohibition would not reoccur. The first thing that was of great concern was what's called vertical integration, where you have the manufacturer, the distributor, and the retailer all in one company because that resulted in the marketplace domination and aggressive sales tactics and things that created the social
problem so a three-tier system was eventually adopted one way or another in most of our states and it's designed to prevent vertical integration to have things in three separate tears and to have those tears independent of one another within all of these tears our various regulations that really reduce the severe impacts of the profit motive price wars incentives to consume at high volume created a lot of problems and so there we have a lot of regulations that are designed to reduce those things also we have measures that were designed to reduce the public order problems that occurred in saloons so most states have
quotas on a number of outlets to control

outlet density and actually after

prohibition there are a lot of efforts
to encourage people to do their drinking

at home not in forms and taverns also

there were regulations that are designed
to eliminate the criminal element we

generally I think assume that our system
today is pretty free of criminal

elements but we see it still see some

problems every once in a while but also

was an effort to encourage people who
drank to drink lighter products many

states have regulations

allow the widespread availability of

Light beer but have tighter control over

products of higher alcohol content those
were certainly the products that that
were it was the drink of choice during
Prohibition created a lot of problems
during our error and we can look at some
elements to to help us understand that
the problems that occur in the
marketplace when a product is
commercialized if we look at the efforts
to legalize marijuana particularly for
recreational purposes we can see some of
the problems I have a slide with a
picture of some of the products that are
for sale in Colorado and and we can we
have read various news articles about
about problems the difficulty is that
that private businesses objective is to
make as much money as possible and this
isn't a bad thing because if you're not focused on making money you're probably not going to be in business very long so you have to be focused on your bottom line but an extreme bottom line orientation can induce sales that result in underage youth addiction impaired driving violence abuse and psychotic events so it so regulation seeks to tamp down some of these business practices that for other commodities are perfectly legitimate marketing to you if you have a different kind of business that you're selling flowers is perfectly acceptable to market to use but not for alcohol because we don't allow underage persons
to drink price concessions which encourage high volume consent

consumption this is a very common tactic in our free market today to offer incentives to buy more product that again needs to be tamped down because it can encourage high volume certainly if we had lollipops that were alcohol it involves alcohol that would be a problem these are typical youth-oriented kind of products that we think are are inappropriate another example that it's good to look at is the United Kingdom right after prohibition the United Kingdom had a very good license system and many of our state's models their regulations thought from
the United Kingdom's experience but

beginning in the late 1950s they

embarked on a almost four to six decade

process of deregulation to the point

where they almost treat alcohol like any

other commodity large grocery chains are

vertically integrated that there's very

little in the way of a distributed here

they work directly with the manufacturer

and dominate the local markets cheap

alcohol is available in the UK 24 hours

a day seven days a week industry

lobbyists and lawyers are so powerful

that it's been very difficult to to

embark on a correction course the last

three prime ministers have had extensive

alcohol policies many of which didn't
get implemented and haven't been extreme

exceptionally effective industry

lobbyists and lawyers prefer to focus on

education and personal responsibility if

you look at this slide you'll see the

middle photo shows an example of the

failure of personal responsibility the

United Kingdom usually has all kinds of

these kinds of situations on weekends

and particularly in New Year's this

photo is a New Year's this New Year's

Eve photograph the United Kingdom has

been really oh

well with drunken behavior their

enforcement budgets and their ER budgets

are are really overwhelmed with the


amount of situations where they have to respond because people are not exercising personal responsibility the government in the United Kingdom estimates that they lose about a third of their revenue through this through system leakages which means that the retailer bought the product from somebody other than a major manufacturer in instances of counterfeit product painted product and and so that's become a real problem the united kingdom today has an epidemic of high rates of underage drinking public drunkenness alcohol-related disease during the recession there were the reduction in consumption so problems seem to be
subsiding but they are still very large

and very much a problem the next slide

it gives you a rundown of the three

church system and what it involves I

warn you it is a really complicated

system and it's complicated by the fact

that we have laws affecting alcohol

regulation at every level of the

government the federal government

focuses primarily on manufacturing the

primary regulation is usually done at

the state level but some states have

have delegated licensing functions to

the local level so we have kind of a

mishmash of regulations throughout the

country so it is really very complicated

and what I'm going to give you is a
little bit of a broad brush so that you
understand the basics but if you want to
know what regulations
happen in your individual state you need
to talk to your lawyer or talk to your
alcohol regulatory control agency to get
the particulars from your individual
state but let me just go over some of
the basics the first principle is
financial independence for each tier and
it's achieved by several practices which
are prohibited the first one is
ownership in many states ownership is
prohibited from one tier to another in
other words a retailer can't own a
distributor a manufacturer can't own a
distributor now the federal government does allow ownership but it requires that retailers particularly are independent ownership is one way to prohibit financial ties but there are lots of other ways that business can't businesses can be tied together short of ownership so there are a whole series of other things that are usually prohibited lone favorable credit terms cash payments exclusive favorable product pricing these are kind of typical regulations that are designed to prohibit specific ties between a manufacturer distributor or retailer many states have franchise laws that protect the distributor's independence
from being dominated by a manufacturer

and then we come to laws that often are considered to be silly these are laws

that are called things of value

oftentimes a manufacturer or the distributor will want to give a retailer certain things to help promote that their product napkins coupon calendar ashtray all kinds of things and many states allow a certain amount of that if it's a kind of nominal value but when it gets to things like TV sets labor free product fixtures furniture it really kind of goes over the lawn and becomes a thing of value that's prohibited the next slide shows the issue of
functional independence and this is often one that is not even found in the rule books because it's embedded in the license privilege each factor is licensed to perform their particular functions a retailer is licensed to have a store or a restaurant bar and sell products at retail they are not licensed to have a central warehouse and distribute products around if they're not usually license to manufacture the product so each tier is designed to have a specific function and to be licensed to do that particular function and not perform some other function now there are some exceptions to be because that's
the general principle the next slide

shows some of the important regulatory functions that each tier has and I think that's one of the brilliant aspects of our system is that some of the cheers have duties regulatory duties and help make the system work better and help save the government some money the middle tier the distributor collects the excise tax on alcohol and we have almost one hundred percent collection of excise taxes other countries lose a third to a half a substantial portion of the collections just never happened and so that's one of the great benefits of our system so the government doesn't have to have
set up a special unit to go out and
collect the excise tax using using
government employees one of the benefits
that is not really always rekin
recognized of our system is that we have
a great system of product quality
because it's a closed system and because
a licensed manufacturer can only sell
through a licensed distributor and to a
licensed retailer the middle chair
tracks all of the bottles and cans and
in that way if there's a problem with
any product it can be quickly identified
we had a situation recently where
apparently some of the tops
of a glass bottle were chipped and there
was a concern that there might be some
glass that fell into the bottle those
products were identified very quickly
removed from the shelf and no customer
was ever harmed we in contrast if you
look at things like the wreath not too
long ago we had a problem with painted
to spinach people got sick from being
spinach and it took a long time to find
out where that came from and meanwhile
people just stopped buying spinach so
people completely innocent suffered
greatly we just don't have that problem
other countries every every month you
see articles about people dying or
getting very sick from tainted products
product that was sold by some
fly-by-night outfit that that used methanol a substance that not cute not fit for human consumption can make people very sick and can kill people so we have a very very safe system and it's protects us the retail care we depend on our retailers to stop sales to underage person and intoxicated individual they're kind of our first line of defense for underage drinking and intoxication and so they have a very important regulatory function which they perform so those are some of the great things about our our system you probably don't know a lot about the efforts to keep the criminal element out
of the business I think as as we're finding with legalization of marijuana it's actually pretty difficult to keep the criminal element out of the business and it took a long time for us to completely rid the alcohol system from element of criminality and we still work at it in fact the federal government monitors some of the ingredients that go into the production of bootleg product products so if you're you live off in the mountains and you're ordering a large quantity of sugar you might come to the attention of the federal government because what would you be doing with all that sugar other than making some bootleg product so we
still make quite a few efforts to keep the criminal element out of alcohol business um I also talked a little bit about the fact that we have alcohol regulation at every level of government the federal government focuses primarily on the manufacturing regulation if you are any kind of an importer or supplier you need to have a federal license and any any product that you produce have to have a federally approved label the federal government also has a number of trade practice regulations these are things that ensure a fair transparent and even playing field so that small operators in your
community can be successful alongside

large national chain that's one of the

benefits of our systems each they have

some level of trade practice regulations

and some of them are very similar to the

federal regulation in most days the

primary source of regulatory authority

is lodged at the state and often in a

State Department of alcohol beverage

control but some states have delegated a

lot of that function to local government

in Minnesota Wisconsin Nevada for

every example all the licensing has done at

the local level so it can get kind of

complicated there are also states that

have what's called dual licenses

Illinois for example if you want to be a
retailer, for example, you have to get both estate and a local license, and the local government can have different regulations like different hours of operation and that kind of thing. Most states have some kind of local regulation so that local governments can have some control over their businesses and the nightlife community. They're actually, uh, some benefit from regulation. Often times, regulation is characterized as being bad for business. I don't think alcohol regulation is it all bad for business and south I see a lot of benefits and the first one is that it's our regulatory systems and if it's a three-tiered system particularly.
has allowed the flourishing of a craft beer and now a craft is still distillery business if you are to go to Italy for example like I did two years ago you would go into a restaurant and I typically saw two brands of beer and the reason is that large beer companies have exclusive arrangements with retailers in Mexico for example there are two large beer companies and up until recently they almost all retailers had an exclusive arrangement with one or the other of those large companies those craft beers simply could not get to market because no retailer would would carry anything that wasn't own and
supplied by one of these two large
companies recently the Mexico
Competition Commission have ruled
against exclusive arrangements you can
still have some mods they've curtail
them so it may be that craft products
will eventually get to the market the
federal government does not allow
exclusive arrangement with a particular
kind of product that's simply illegal
and so so the flourishing of the craft
beer business and now a flourishing of a
craft distillery business is really due
to the system that that prohibits these
kind of practices which would keep these
products from being on the market
regulations also reduce some business
costs if you’re an again the breakfast cereal business and you want your product prominently displayed in a big box grocery store you're going to have to pay for that it’s called a slotting sheet so in order to get an eye-level placement you will need to pay the retailer for that slotting fees are illegal for alcohol so alcohol businesses do not have to pay slotting fees favors in exchange for exclusivity or favorable placement are also illegal so those things are not they are are not costs of doing business in alcohol world trade practice regulations prevent price wars and reduce market volatility one of the
things that businesses really appreciate

is a certain amount of stability and

predictability for their business and

alcohol regulations provide a degree of

that and then finally the three-tier

system provides the prop that products

tracking that prevents disasters when a

tainted product if it is discovered now

let us let’s talk about some hot issue

and first of all I want to talk about

that I think the hottest issue is the

big bucks brochures are very interested

in being able to to sell all forms of

alcohol in kind of lightly controlled

environments where they can use

self-service to reduce labor costs and
so forth a number of states in fact most
0:34:26.149,0:34:32.919
states have some version of a system

0:34:29.089,0:34:36.619
that allows a widespread availability of

0:34:32.919,0:34:40.030
light alcohol products and originally

0:34:36.619,0:34:44.359
that was three-point-two percent beer

0:34:40.030,0:34:46.909
there is now typically more like four to

0:34:44.359,0:34:50.359
six percent but that was the idea

0:34:46.909,0:34:52.190
encourage people to drink lighter

0:34:50.359,0:34:58.250
products by making them more widely

0:34:52.190,0:35:01.730
available and then curtail control the

0:34:58.250,0:35:04.480
sales of products with higher alcohol

0:35:01.730,0:35:08.300
content by having them available in

0:35:04.480,0:35:13.160
package liquor stores in controlled save

0:35:08.300,0:35:15.560
those stores are are owned originally

0:35:13.160,0:35:18.700
they were owned now they're often

0:35:15.560,0:35:22.790
license but the state has an ownership

0:35:18.700,0:35:26.000
of that product in licensed states those
are done in individually licensed attack
doors there's a big push to change all
these regulations alcohol is a
high-margin product is often used to
induce customers to come to your store
and so everybody wants to sell alcohol
and so there's a big push by big box
brochures to squeeze out the small
operators and distributors and push to
change regulations through lawsuits
lobbying and even funding a ballot
measure like the measure which
privatized alcohol and deregulated wine
in Washington state it was sponsored and
funded almost entirely by the costco
corporation another high issue is large
suppliers that want to own distributors
and craft producers this oftentimes

there's talk about eliminating the

middleman well the middleman has a

function of delivering alcohol product

and large suppliers are seeking to

increase their bottom line and if they

own distributors they can get the

profits from that function as well they

are also things popularity of craft beer

and crap products and a number of large

suppliers have purchased small

flourishing craft operators so that's

creating a lot of controversies and by

the a large supplier owning a

distributor that's taking kind of the

first step and vertical integration on
the other end small craft operations

want to have some exemptions from some

of the three chair regulation brewpubs

for example want to be able to brew

their product on premise and then sell

it well that is a vertically operated

vertically integrated operation and most

policy makers feel that as one

long as these exceptions are only given

to small operators and don't become

widespread then it might be okay but

then what happens when these licensees

become very successful and they're big

they're going to want to continue these

some of these same privileges rise in

recent years we have seen some

pay-to-play practices this is where
somebody will pay a retailer extra money or give them extra favors to favor their product and so we've got problems with that three-tier violations are often very hard to identify and to enforce so we have some enforcement difficulties one of my greatest fears is that we will lose some of these good regulations because people just don't understand them and I have to say that I committed that sin when I was a regulator there was a proposal to eliminate one of our quotas and when asked whether it served any real purpose in today's market I said well I just didn't see that it did I was wrong I didn't understand it completely and we
lost that one so I think changes need to be made very very careful carefully and you ought to be a little concerned when our regulation is characterized as antiquated up until very recently there's been very little antitrust enforcement of although there are now some changes so in summary let me just summarize some of these major point the three-tiered system is a tightly controlled trobe system which protects the public from tainted and counterfeit product ensures high tax collection and helps reduce the involvement of the criminal element in the business trade practice regulations curtail market
practices which encourage high volume consumption sales to vulnerable populations and attractive honest business people our comprehensive regulations also foster a more even playing field which allows the small local licensees to operate alongside national national change and the final point is that licensees have very important regulatory duty that help protect the public such as preventing sales to minors and intoxicated person before we get to questions I want to offer my website as a resource for you it's a healthy alcohol market com my website has I produce a monthly newsletter and all you have to do is
sign up for it's free of charge and I'll

set it out to you I have a number of

educational report Maggie mentioned many

of those earlier these are free of

charge you can download them from the

website i have i did a report on the

washington state ballot measure that i

published recently in 2014 that can talk

about that the issue briefs for 2 to 4

2014 is now available but within really

just a few weeks i will do a revised

version 4 2015 these are designed for

policy makers who really have time to

read one page and they can be separated

you can see rocks them give them to your

legislators put together your customized

packet these are really designed to be
helpful to so people will come to understand our regulation now I'd be ready for question okay.

a pan we've got several questions the first one is how does the Amazon model fit with the three-tier system as they would be both wholesaler and retailer um you know you know I I don't know the answer to that question I know there have been some you know kind of third parties out there we I know that we wrestled with this issue a lot when you had online wine sales and I think what you have to do and you know I could be wrong I think you have to work with each individual state because each state is
going to be different in terms of licenses some will you know some states still don’t even allow in porting through the mail so I that's a very difficult and technical question and so I think that you know probably probably some legal expert is better at answering that one now I am okay I have another one and then just for folks who would be interested in and asking a question again just please type in your question in the lower right hand corner in your chat window and we'll we'll get to your question and so a next question Pam is what drove the deregulation in the United Kingdom 50 to 60 years ago what was the shift gradual yes the shift
was very gradual like I said it took

took place over 50 years and it

you know when you make a small change

you may not see it see the difference

for a few years and and really I think

that the epidemic didn't just didn't

really explode until I think around the

you know the late nineteen

hundreds early two thousands but it

really gotta push when uh when Maggie

Thatcher was the Prime Minister she was

a strong believer in the free market

system which you know I a lot of us love

the free market but the free market has

is problematic for products like alcohol

products like marijuana there are a lot

of products that are potentially
dangerous and you just can't use the
same techniques I often use a of a
flower shop if you are going to go into
the flower business the first thing you
won't want to do is want to know who my
most flowers and how can I make those
people buy more flowers and how can I
expand that to love people well if you
do that with alcohol it means you want
people who drink a lot to drink even
more and you want more people to drink
very heavily so so you just have to be a
little more cautious about some of those
sales tactics like at like I say are
perfectly legitimate for other
commodities in pen sorry I was just
going to say a couple more things about

the UK once the thing got really out of control they had a look they made decisions based on really bad information like they thought that if they eliminated closing hours that that would face out the people coming out of bars there wouldn't be as many fights there would be as much drinking and really the office that happened people of law enforcement wasn't staff ducked for it so they had to have people out at four in the morning vs so you know one or two whatever closing hours were and people were just drinking a lot more because the bars were open longer and they were drinking around the clock it's
just it was a disaster

but the research community told them that it wouldn't work and people did not pay attention so um Pam a follow-up question to the UK is what tier was attacked initially I'm sorry I didn't understand the question I think it's a follow-up question to the one regarding the United Kingdom what drove the deregulation was to shift gradual and then the follow-up question to that is what tier was attacked initially do you know like what tier today learning initially yeah I think that one of the things that have happened in the UK and is happening here is it is greater alcohol outlets and and there have been
You know lawsuits there have been all kinds of other things that have happened that suggests it's just unfair to give the privilege of selling alcohol to one group and not to another and unfortunately those laws were often not well to send it and we didn't you know years ago we didn't have good research on outlet density we now have a lot of research that tells us that if the more outlets we have for alcohol there that tends to push problem and it also burdens law enforcement if you if you double the number of outlets that means twice as many licenses that you have to check up on and it just
radically increases the problems we just
know a lot more about what work that
doesn't work with alcohol today then
even ten years ago and certainly 20
years ago when you know things started
loosening up we just didn't have the
same kind of research but we really know
a lot now and you know we can crack
pretty good control system okay a next
question is are there any studies that
indicate that it is in the economic
interest of alcohol retailers to promote
responsible drinking as opposed to binge
high consumption drinking I don't know
of anything and you know i i'd have to
look around and see particularly how
that would be phrased you know certainly
it's laudable when you have retailers that are very responsible one thing I found in working with licenses is that most licensees want to be responsible and they don't want to compete with someone who isn't I remember having a rule advisory committee meeting where one tavern owner said I just don't like it when I see people flowing up over the deck at my competitors establishment and I don't want to have to compete that person so you know that's you know that's one of those things that maybe is something in the future that that can be done is some rewards for people that really try to do the right thing okay a couple more
questions Pam regarding Costco they appear to be involved in the manufacturing process and on the retail end with private label Kirkland products what is being done to monitor this because they are beginning to vertically integrate themselves because aren't they aren't they vertically integrating themselves yes I've been very worried about that issue and in fact I'm going to issue a report on private labels the in looking at the whole private label issue the first thing I did was study how private labels are done with other commodities and typically what happens
is a retailer works with a manufacturer
to create a new product and most big box
grocery stores have several lines of
private label products they will have a
low value product a product that
directly competes with national brands
an organic product line and some of them
now have premium product lines I I have
had some discussion with the federal
government about isn't this practice
illegal and the answer really is it's a
technical a technical matter if you have
a business agreement between a retailer
and a manufacturer that basically ties
them together in an exclusive
arrangement where the retailer is
obligated to buy a product on a
continuous basis that may be a violation of federal law now I'm not an attorney so somebody wants a legal opinion they're going to have to talk to somebody else but I am hoping that the feds will clarify this issue a little bit because we are seeing a lot more private labels out there and if they're done exactly in the way that they're done other commodity I think if you know I don't quite see how it's a legal operation but you know I could be wrong I expect to publish this little booklet that helps to clarify what are private labels how our private labels used in the marketplace today because
used to be kind of you know what low
value poor quality products that's not true anymore grocery stores are even going after the premium line a high value products so it's you know I think it's a great concern and I think there is a potential for through the skies of private labels having a actual vertical integration so it's one of those issues that I think we all need to be concerned about and may need to make sure that these products are actually in conformance with our laws okay another question here what do you think is the key in getting responsible beverage server laws ordinances passed um that's
that's a good question I come from Oregon where we have you know we had really a really very long server education and civil net program but when we tried to expand that to the seller that the off-premise establishments just didn't get anywhere I I would hope that like like I say I believe that most licensees are responsible want to be responsible and if this and and many of them train do the training on their own what I would try to do if my fate didn't have a responsible beverage law or education program I would try to get support from the industry because I would think it really is in the industries interest nobody wants a
server that over-served somebody that

person goes out and kills somebody on

the highways no one wants that on their shoulders so I think it I think that

getting the industry support

or convincing them that it really is in their interest to do that I think it's the way to go okay a couple more questions I know we're getting close to that three o'clock hour one other question here is do you think hi abv malt beverages need greater regulation regulations such as twelve percent abv four loko certainly that product is i would say needs greater greater regulation you know one of the things that happened after prohibition was you
know I talked about the idea of making

low alcohol content products more widely

available and at the time it was

three-point-two percent beer in single

serving camp and the idea was that you

know you sell low alcohol products in a

single serving can or bottle so people

can monitor their alcohol consumption

but when you have a product that's

twelve percent alcohol in a 24 announce

can those cans that are five drinks

almost five drinks and in 11 serving you

know people people don't know what

they're drinking you know I found that

people actually many people actually do

try to monitor their drinking but you
know they often aren't helped they they

0:56:59.190,0:57:05.220
don't have the tools to do that and I

0:57:01.980,0:57:09.359
think we want to foster personal

0:57:05.220,0:57:11.220
responsibility there's we certainly want

0:57:09.359,0:57:13.830
to do that it shouldn't be our only

0:57:11.220,0:57:15.690
strategy but we want to encourage people

0:57:13.830,0:57:21.000
to be responsible but they have to have

0:57:15.690,0:57:25.470
the tools to do it you know I think that

0:57:21.000,0:57:29.160
a couple of states have made products

0:57:25.470,0:57:33.240
like four loko and some of the large

0:57:29.160,0:57:35.880
cans with high alcohol content only

0:57:33.240,0:57:36.980
available in liquor stores but I do

0:57:35.880,0:57:38.660
think some of those

0:57:36.980,0:57:43.010
products need greater register

0:57:38.660,0:57:44.630
regulation okay and Pam I know we're at

0:57:43.010,0:57:47.060
three o'clock but they're just two more

0:57:44.630,0:57:48.890
questions and they actually both relate
to Costco one you may have answered already but I'll just read it anyway one

is can you discuss the Costco case and

the other impending legal challenges to

the three-tier system and if possible

the legal principles at stake for

example commerce clauses versus states

rights to regulate alcohol well that

that's the perennial dilemma is is that

you know that the twenty-first of an

amendment versus the Commerce Clause and

you know though those are things that

judges wrestle with and I don't remember

the legal article but I think it was Jim

Moser that wrote a kind of a history of

the twenty-first amendment right after

prohibition the the judges were very
liberal about letting States do pretty much whatever they wanted to in terms of regulating alcohol now there's kind of a you know a more favorable attitude towards the interstate commerce clause but you know I think that you just have to balance those things and it struck me that as a regulator one of your primary job is balanced making sure that your local market is well balanced we want our businesses to be able to operate successfully but we don't want them to be contributing to social problems and that you know that takes an ongoing active role on the part of the regulator businesses are very clever they're very
good at finding ways around regulations

and so you will always have some new challenge but it's important to remember your overall goals what costco did

the state of Washington unfortunately has a somewhat weak ballot measure regulation other states curtail things like signature gathering in Washington

people would could be paid by the

signature oftentimes they would have a clipboard with five different ballot measures and they would just get somebody to sign all of them people

often didn't even look at what they were signing and once it gets an appropriate number of signatures there isn't any kind of legal review or way to challenge
the ballot measure other states do that

and oftentimes when one of these things

passive you spent years cleaning up the

legislation because it's poorly written

it and Costco's ballot measure that pass

was was a rewrite of 60 pages of

Washington statute I read that several

times and I did not pick up all of the

benefits that went to the Costco

corporations specifically and I doubt

more than 20 voters read the entire

ballot measure and actually understood

it's very very complicated if you

know if the ballot initiative was

originally designed for grassroots

operations and has just been kind of

captured by corporations sometimes
costco donated 22 million dollars for passage of the measure it just you know yes i think it's a kind of anti-democratic way of doing things but it is what it is so now the state of washington is going to have to deal with it for many years to come okay final question Pam is a federal involvement is federal involvement the only way that costco can be stopped from going after the other control states um i don't know that the feds would wander into that one the difficulty is that that states have the primary role for regulating alcohol and i'm afraid that that people have to do it
state-by-state I don't know that the federal government or particularly the age the federal agency would do much of anything I hope what I hope is that people come to understand we have a very good alcohol regulatory system and because of it we're not as likely to encounter some of the problems that they've had in UK and other countries and yeah I just I just hope that people will come to recognize that and support the systems that we've got our drinking rates and our problems are much less than what you've got in the UK and other European countries it's often a myth that other countries do really well with alcohol they don't the Europe is the
largest drinking sector in the world

their consumption rates and their rates of disease and problems are far higher

higher than upset hours underage drinking rates are higher than ours and they're starting to enact some fairly dramatic of regulations I just read about France that's beginning to have a problem with binge drinking with their kids and their they have pretty restrictive alcohol advertising regulations and are looking at doing some even more restrictive things so hoping that we can get industry support community support for the basic tenants of our alcohol regulatory system because if it really has prevented a lot of
problems and keeps us safe okay all

right Pam thank you very much there has

been there have been several questions

on whether or not the PowerPoint slides

would be available and yes they are you

can email Pam or you can email me Maggie

varshini at nalco org if you go to nab

co.org you can find my name in the staff

directory so thank you pam for your time

and for sharing your valuable knowledge

with us and thank you all for joining

napkin on this webinar if anyone has

questions that we did not address or

thinks of something afterwards feel free

to email me also please visit the navika

website at nalco org for various
resources we have including white papers
1:05:01.470,1:05:05.070
on the three-tier system and other
1:05:03.030,1:05:06.690
subjects we would like your feedback
1:05:05.070,1:05:08.670
about the session and will soon be
1:05:06.690,1:05:11.160
sending you a quick survey to complete
1:05:08.670,1:05:13.079
also let me know of any suggestions that
1:05:11.160,1:05:15.180
you may have for future nabcor webinars
1:05:13.079,1:05:16.530
it is our goal to give you the education
1:05:15.180,1:05:18.900
and the tools that you need to perform
1:05:16.530,1:05:20.220
your function effectively thank you all
1:05:18.900,1:05:22.859
again for participating in the webinar
1:05:20.220,1:05:25.220
we wish you all a great day thank you
1:05:22.859,1:05:25.220
and goodbye