

HOUSE BILL REPORT

2SSB 5175

As Reported By House Committee On:
Commerce & Labor

Title: An act relating to certain retail liquor licensees being licensed as manufacturers.

Brief Description: Permitting certain retail liquor licensees to be licensed as manufacturers.

Sponsors: Senate Committee on Labor, Commerce & Trade (originally sponsored by Senators Pelz and Deccio; by request of Liquor Control Board).

Brief History:

Committee Activity:

Commerce & Labor: 2/20/96, 2/22/96 [DPA].

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 12 members: Representatives McMorris, Chairman; Hargrove, Vice Chairman; Thompson, Vice Chairman; Romero, Ranking Minority Member; Conway, Assistant Ranking Minority Member; Cairnes; Cody; Cole; Fuhrman; Goldsmith; Horn and Lisk.

Staff: Pam Madson (786-7166).

Background: The state of Washington's "tied-house" laws prohibit certain financial "ties" or business relationships between alcohol manufacturers and wholesalers (distributors) on the one hand and alcohol retailers on the other. The purpose of this prohibition is to prevent manufacturers and wholesalers from engaging in practices that induce retailers to sell certain alcohol products and exclude others and to inappropriately increase consumption.

Generally, a manufacturer or wholesaler may not have a financial interest in a licensed retail business and is ineligible to be a licensed retailer. Retailers may not conduct their business on property owned by a manufacturer or wholesaler.

There are certain specific exceptions to this policy. A licensed owner of a brewery or winery is a manufacturer of alcohol. These licensees may also hold retail licenses to sell liquor for consumption on the brewery or winery premises as a Class H restaurant (hard liquor) and to sell beer and wine other than their own product. However, retail

licensees who sell alcohol for consumption on the premises, such as a restaurant licensed to sell beer or wine, a Class H restaurant that sells liquor, or a tavern, may not obtain a brewery or winery license unless they give up all interest in any retail licenses they hold.

Summary of Amended Bill: A public house license is established that allows a licensee to manufacture and retail the licensee's product for consumption on the premises. In addition, the licensee may also apply for and hold a Class H license for on-premise liquor sales as part of a full-meal restaurant at the public house location. Licensees may also sell for on-premises consumption beer and wine that is manufactured by others if it is purchased from a licensed wholesaler.

To qualify, a licensee must manufacture at least 250 gallons but no more than 2,400 barrels of beer on the licensed premises.

A public house licensee is not in violation of the "tied-house" prohibitions for having an interest in both manufacturing and retailing, nor is it a violation to hold other retail licenses at other locations owned by the public house licensee.

A public house licensee may not hold any of the following licenses: wholesaler, importer, brewery, or winery.

Employees of the licensee must complete alcohol server training.

The fee for a public house license is \$1,000.

Amended Bill Compared to Second Substitute Bill: The maximum number of barrels that may be produced by a public house licensee is reduced from 3,000 to 2,400.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Because of the state's "tied-house" laws, restaurants cannot become brew pubs. Companies that own a number of restaurants are effectively frozen out of the brew pub business. This bill is representative of laws in other states. Under the bill there is no distribution of the product produced by a brew pub to any other location. There is also an upper and lower limit on the amount of beer that can be produced. There is no limit on licensed breweries. With a restriction on distribution there is no reason to have an upper limit. Brew pubs, in order to be successful, will

offer a choice of beers to the customer. It is possible to produce 3,000 barrels and sell that amount at one location. Any reduction in the number of barrels would only restrict business opportunity. However, there is a concern that anything over 1,800 barrels is more beer than can be sold annually at one location. This bill allows the beer to be sold only at the location where it is brewed. There is concern about weakening of the tied-house laws. However, this bill will resolve many issues relating to this concern.

Testimony Against: None.

Testified: Carter Mitchell, Washington State Liquor Control Board; David Hollow, Restaurant Association of Washington; and T.K. Bentler.