

HOUSE BILL REPORT

SSB 6748

As Reported By House Committee On:

Commerce & Labor

Title: An act relating to providing limited circumstances under which a qualifying manufacturer that is a public company may have an indirect interest in property on which a retail liquor licensed premises is located.

Brief Description: Regulating the interest in property on which retail liquor is sold.

Sponsors: Senate Committee on Labor, Commerce & Trade (originally sponsored by Senators Heavey and Deccio).

Brief History:

Committee Activity:

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

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. 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.

Generally, manufacturers and wholesalers may not have a financial interest in a licensed retail business. Retailers may not conduct their business on property owned by a manufacturer or wholesaler. 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. There are certain specific exceptions to this policy.

Summary of Substitute Bill: A retail alcohol licensee may not, under any circumstances, conduct business on property in which a manufacturer or wholesaler has any interest except under circumstances that include the following: (1) title to the

property is owned by a corporation in which the manufacturer has no direct stock ownership or interlocking officers or directors; (2) the retailer is an independent concessionaire with no ties to the manufacturer or property owner; (3) the sale of liquor is incidental to the primary activity conducted on the property, that of offering live musical entertainment in an amphitheater; and (4) the manufacturer's product is not sold by the retailer at the event. The Liquor Control Board may review the ownership arrangement and circumstances of operation to determine if any unacceptable control or undue influence is being exerted over the retailer.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The tied-house laws were enacted across the country at the time prohibition was repealed. They were designed to preclude the return of conditions that existed before prohibition. At that time, the licensed retail premises were operated by the alcohol manufacturer and were operated in a socially irresponsible manner. The saying "There is no free lunch" sprang from this era. The saloons offered the working man a free lunch, drew him into the saloon, and separated him from his pay check. The laws enacted at the time of the repeal of prohibition essentially prevented any kind of relationship between a manufacturer and a retailer. What they didn't envision was corporate acquisitions, corporate diversification, and corporate conglomerates. Under a policy of corporate diversity, a company that manufactures alcohol has acquired, through the parent company, an entertainment company. The entertainment company owns and operates the concert facility at the Gorge. Alcohol consumption at this location has been a problem in the past. The company is trying to allow, under controlled circumstances, a more responsible consumption of alcohol while concert-goers are attending the concert and wishes to use a retail liquor business. The bill is intended to remove the impediment that exists because of the over-arching ownership of the alcohol manufacturer. The bill allows for full disclosure of all relationships to the Liquor Control Board. It is limited to the type of activity contemplated. It maintains the letter and spirit of the Washington law and maintains the discretion of the board. There have been many exceptions in the tied-house law and perhaps the law should be reexamined.

Testimony Against: None.

Testified: Carter Mitchell, Washington State Liquor Control Board; and Jim Halstrom, Joseph E. Seagram & Sons, Inc.