

SENATE BILL REPORT

SB 5822

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, February 27, 2007

Title: An act relating to allowing certain activities between manufacturers, importers, or distributors and retail sellers of wine.

Brief Description: Allowing certain activities between manufacturers, importers, or distributors and retail sellers of wine.

Sponsors: Senators Kohl-Welles and Parlette.

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 2/20/07, 2/27/07 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5822 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Clements, Ranking Minority Member; Franklin, Hewitt, Holmquist, Murray and Prentice.

Staff: Jennifer Strus (786-7316)

Background: "Tied House" laws are intended to prevent inappropriate or coercive business practices among the various sectors of the liquor industry, either through domination of one tier over another or through exclusion of competitors' products. Washington's tied house statute addresses the two fundamental aspects of tied house laws:

- The prohibition against manufacturers, importers, distributors, and authorized representatives from owning or having a financial interest in a retail license or owning property on which a retailer operates; and
- The prohibition against manufacturers, importers, distributors, and authorized representatives from providing things of value ("money or money's worth") to licensees.

Washington's approach to changes in the business and social climate since the 1930s has been to carve out discrete, targeted legislative exceptions to these Tied House prohibitions as the need arises.

Summary of Bill: The bill as referred to committee not considered.

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

Summary of Proposed Substitute as Heard in Committee (Labor, Commerce, Research & Development): Domestic wineries, domestic breweries, microbreweries, and certificate of approval holders may list on their internet sites information related to retailers who sell or promote their products. In addition, licensed retailers may also list on their internet sites information related to domestic wineries', domestic breweries', microbreweries', and certificate of approval holders' web sites.

A domestic winery, domestic brewery, microbrewery, or certificate of approval holder may perform personal services from time to time for or on behalf of a licensed retail business if the services are conducted at a licensed premises and are intended to inform, educate, or enhance customers' knowledge or experience of the manufacturer's products. The performance of personal services may include participating and pouring at a licensed retailer's premises, bottle signings, and other similar informational or educational activities. The performance of personal services cannot be a condition to be met before a licensed retailer will sell any alcohol.

Domestic wineries and licensed retailers may produce jointly or with regional, state, or local wine industry associations brochures and materials promoting tourism.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Labor, Commerce, Research & Development): The cost of sampling that cannot be borne by a manufacturer, distributor, or importer is clarified. Courses of instruction that wineries and breweries can provide to their employees, including chefs employed by those wineries or breweries, are added. Subjects that can be addressed by this instruction, such as what meals go well with what types of wine, are added.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: It is very difficult for Washington wineries to get their product noticed without being able to do wine tastings and some joint advertising.

OTHER: Every time the Legislature creates an exception to the Tied House rules, another group pops up wanting a different exception. The Tied House workgroup that the Liquor Control Board convened is working on how to deal with Tied House issues, so it might be better to wait and see what this group recommends before moving Tied House legislation. There are concerns that opportunities to allow retailers to give away product not be created especially at pourings. Perhaps food should be required to be served at pourings.

Persons Testifying: PRO: Jean Leonard, Martin Clubb, Washington Wine Institute; Arlen Harris, Washington Brewer's Guild.

OTHER: Ron Main, Washington Beer & Wine Wholesalers; Rick Garza, LCB.