

MINUTES
HOUSE STATE AFFAIRS COMMITTEE

DATE: Thursday, March 28, 2013

TIME: 8:30 A.M.

PLACE: Room EW40

MEMBERS: Chairman Loertscher, Vice Chairman Batt, Representatives Anderson(1), Andrus, Luker, Crane, Palmer, Sims, Barbieri, Holtzclaw, McMillan, Monks, Packer, Smith, Gannon, Woodings

**ABSENT/
EXCUSED:** None

GUESTS: The sign-in sheet will be retained with the minutes in the committee secretary's office until the end of the session. Following the end of the session, the sign-in sheet will be filed with the minutes of the Legislative Services Library.

Chairman Loertscher called the meeting to order at 8:30 a.m.

MOTION: **Rep. Packer** made a motion to approve the minutes of March 20, 21, and 26, 2013 meetings. **Motion carried by voice vote.**

S 1118aa: **Jeremy Pisca**, Risch Pisca, on behalf of Idaho Beer and Wine Association, presented **S 1118aa**, a bill that adds to existing law to provide that it shall be unlawful for a brewer to have financial interest in the business of a dealer or wholesaler of beer and to provide a one year exemption in the event of a termination, cancellation, discontinuance or failure to renew an agreement. He stated that the two opponents are multinational brewing companies and are not local breweries who create jobs for the citizens of Idaho. He stated there are no brewery-owned branches in Idaho.

In response to committee questions, **Mr. Pisca** stated there was a Coors Distributor in Meridian a few years ago that was an independent brewer. He also stated that since then Miller and Coors have merged and are now a Canadian company. He said that all states in the United States use the three-tier system in some form.

Ken McClure, Givens Pursley, on behalf of Anheuser Busch, stated he **is opposed** to **S 1118aa**. He stated the legislation takes away the right that breweries currently have. He stated his client does not have a corporate objective to own brewery branches. He said currently they can only sell through three distributors. He said this is a private distribution contract between the breweries and distributors and the legislature does not need to be involved. He stated the legislation prohibits the business relationship between distributors and breweries.

Mr. McClure also stated the three-tier system only exists in the United States and direct distribution is legal almost everywhere else. He said his clients have a finance plan to help distributors when transitioning ownership but the legislation prevents that.

In response to committee questions, **Mr. McClure** stated distributors are strictly regulated and have to have a right of exclusive territory in order to conduct business.

Ryan Dressen, President of Idaho Beer and Wine Distribution Association, stated he is **in support** of **S 1118aa**. He stated in order to keep the three-tier system working, there can not be only two tiers. He said this legislation is a preventative step to ensure the system keeps working effectively.

Dodds Hayden, Hayden Beverage Company, stated he is **in support** of **S 1118aa**. He stated that all distributors in Idaho are family owned businesses. He stated breweries have contracts with distributors that outline certain issues and allows the right to refusal if sales are not doing very well, etc. He said that breweries make the decision of who they want to sell to.

In response to committee questions, **Mr. Hayden** stated the sale and distribution of alcohol has more restrictions due to freshness issues and the need to control the market.

MOTION:

Rep. Andrus made a motion to **HOLD S 1118aa** in committee. **In support** of the motion, **Rep. Andrus** stated he felt the two groups of people involved can solve the problem themselves.

In opposition to the motion, **Rep. Sims** stated the legislature needs to be involved in order to protect the three-tier system. She stated the one-year limitation should be established.

David Morrison, Idaho Distributing, stated he is **in support** of **S 1118aa**. He stated there are a number of people who are willing to testify who work for distributors in Idaho who are in support of the legislation. He asked that the committee pass the legislation.

Wayne Hoffman, Idaho Freedom Foundation, stated he **is opposed** to **S 1118aa**. He stated the legislation drives up costs of products and restricts business activity. He also stated that not everyone supports the current three-tier system. He said that under the legislation, employees give up their right to ownership.

Skip Smyser, representing the Miller Coors Company, stated he **is opposed** to **S 1118aa**. He stated companies should not be restricted on what they can and cannot own. He stated this is not a corporate strategy. He said the one year provision is unreasonable and should be changed. He said there should be no restriction of ownership to any property.

Jeremy Pisca, Rische Pisca, on behalf of Idaho Beer and Wine Association, followed up by saying that the three-tier system exists so that history does not repeat itself. He said most states have legislation the same as the one being presented.

SUBSTITUTE MOTION:

Rep. Barbieri made a substitute motion to send **S 1118aa** to General Orders. **In support** of the motion, **Rep. Barbieri** stated the protection of Idaho businesses need to be considered and the one year provision needs to be considered and it be determined whether it is a long enough amount of time.

Rep. Crane stated he would **support** the substitute motion. **Rep. Gannon** stated he would **support** the substitute motion because the one year provision is questionable. **Rep. Andrus** stated he would **support** the substitute motion. **Rep. Anderson(1)** stated he would **support** the substitute motion because the issue of the three-tier system needs to be worked out. **Rep. Batt** stated she would **support** the substitute motion. **Rep. Monks** stated he would also **support** the substitute motion because the Legislators need to discuss this issue further.

AMENDED SUBSTITUTE MOTION:

Rep. Luker made an amended substitute motion to send **S 1118aa** to the floor with a **DO PASS** recommendation. **In support** of the motion, **Rep. Luker** stated this issue deals with alcohol policy. He stated there are two international companies that sell more than 80% of the alcohol in the United States that could potentially buy out the business in Idaho and this legislation would prevent that.

Rep. Barbieri stated he would **support** the amended substitute motion but if it fails, he will still support the substitute motion.

Rep. Woodings stated she **opposes** the amended substitute motion because the legislature needs to deal with the three-tier system in more detail.

**ROLL CALL
VOTE:**

A roll call vote was requested. **Amended Substitute Motion failed by a vote of 6 AYE, 10 NAY. Voting in favor** of the motion: **Reps. Batt, Luker, Sims, Barbieri, Packer, and Smith. Voting in opposition** to the motion: **Reps. Loertscher, Anderson(1), Andrus, Crane, Palmer, Holtzclaw, McMillan, Monks, Gannon, and Woodings.**

**VOTE ON
SUBSTITUTE
MOTION:**

Chairman Loertscher called for a vote on the substitute motion to send **S 1118aa** to General Orders. **Motion carried by voice vote. Rep. Luker** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the Committee, the meeting was adjourned at 10:29 a.m.

Representative Loertscher
Chair

Kasey Perkins
Secretary