



MEMO

To: Chairman Iden and members of the House Regulatory Reform Committee

From: Michigan Retailers Association

Re: Oppose HB 4504

Date: October 4, 2017

Michigan Retailers Association is the voice of Michigan's retail industry and represents more than 15,000 stores and ecommerce websites across the state. Members of Michigan Retailers Association have always supported open markets and fair competition. Under the current half-mile rule – which allows a store to have a monopoly of a half-mile around its location to sell spirits - those principles are disregarded and the rule gives certain retailers an unfair advantage over others. For this reason, we support the commission's proposed rescission of Licensing Qualification Rule, R 436.1133 and oppose SB 501.

The legislature should not interfere with the MLCC's recommendation to rescind a rule that is the most restrictive distance requirement for licensing in the country. The rule's half-mile legal monopoly on the sale of spirits is stricter than anywhere else in the nation. There is no ground to argue that allowing competition will hurt or eliminate certain retailers selling spirits.

In fact, recent legislation has opened up alcohol licensing limitations and rules in favor of free market principles and competition. Complaints that Specially Designated Merchant license requirements were too restrictive resulted in the approval of both Public Act 84 of 2016 and Public Act 434 of 2016. Both recently approved laws highlight the legislative and market support for open markets and competition.

Times change and it is necessary for rules to keep up with changing market demands. Rule R 436.1133 was put in place almost 40 years ago. Since the rule was created, commerce has dramatically changed. Maintaining this barrier to competition creates winners and losers, artificially increases the value of a license, and suppresses innovation and the quality of customer service.

Allowing competition will prevent an over-concentration of retailers selling spirits. Customers will determine which retail establishments succeed or fail based on product quality and customer service. Moreover, it should be made clear that not one additional license will be created if the rule is repealed. The statutory population limits of one license per 3,000 persons will remain in place, ensuring there will not and cannot be a "liquor store on every corner." Maintaining a legal monopoly to sell spirits simply because it has "always been that way" does not support the growth of the industry or improved customer experiences.

For the reasons listed above we respectfully oppose SB 501 and urge committee members to vote no on any attempts to codify barriers to open market competition. Thank you for considering our comments.

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