



MICHIGAN  
**BEER & WINE**  
WHOLESALE  
ASSOCIATION

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Dear Regulatory Reform Committee Members,

It has come to my attention that some have raised concerns and questioned the regulatory impact of House Bill 5768. It is my understanding that some have questioned whether the current rules require that beer and wine sit on a distributor's warehouse floor before it is delivered to retailers.

Let me assure you that this is the case. One of the reasons for this legislation is to clean up a convoluted rules structure that can lead to differing interpretations of the requirements. However, currently distributors are required to keep beer and wine on their warehouse floor prior to delivering the product to retailers. Contrary to what some may argue, this legislation is not creating that requirement. Distributors support this requirement as a necessary checkpoint for beer and wine entering the state of Michigan and as a vital part of the three-tier system. The concerns we have and the main reasons for this legislation are as follows:

1. As acknowledged in prior testimony, it is not currently clear how long beer or wine must remain on the warehouse floor of a distributor. We have received varying opinions that range from as short as 24 hours to as long as 30 days. We believe 24 hours is necessary, but also sufficient to achieve the regulatory purpose of creating a checkpoint for beer and wine entering the State. We fear a future administrative interpretation that would require a period closer to thirty days and wish to eliminate that possibility through the adoption of this legislation.
2. Distributors need two exceptions to the 24-hour hold to ensure we can meet the needs of retailers in a timely manner without violating the current rules. One is for product shortages, and the other is for special events when the product may not arrive at the distributor location until the day of the event. This legislation creates those exceptions.

The fact is, most suppliers require a distributor to maintain an average of 30 days of inventory on the warehouse floor already. Therefore, a 24-hour hold has no consequence on the flow of beer and wine into the retail trade. The reality is that the product will sit on the warehouse floor for close to thirty days before delivery. Accordingly, any concern being raised about a 24-hour hold is not

valid as it will have no impact on distribution and does not impact supplier interests in the least.

This is doubly true under the legislation before you as the bill creates exceptions to the 24-hour hold in instances of product shortages and special events. The flow of commerce is not impacted under this legislation and is in fact made easier by the exceptions.

Sincerely,

A handwritten signature in cursive script that reads "Spencer Nevins". The signature is written in black ink and is positioned above the typed name.

Spencer Nevins  
President  
Michigan Beer and Wine Wholesalers Association